TETRA TECH
International Development

Final Report

Evaluation of the management and control systems in the EEA and Norway Grants

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Acronyms and abbreviations

AA	Audit Authority
CA	Certifying Authority
DG REGIO	Directorate-General for Regional and Urban Policy
DPP	Donor Programme Partner
EC	European Commission
EU	European Union
EQ	Evaluation Question
EQM	Evaluation question matrix
ESIF	European Structural and Investment Funds
FMO	Financial Mechanism Office
FMC	Financial Mechanism Committee
IA	Irregularities Authority
MA	Managing Authority
MCS	Management and control system
NFP	National Focal Points
OECD	Organisation for Economic Co-operation and Development
PO	Programme Operator
PP	Project Promoter

Executive Summary

Introduction and methodology

This document presents the outcome of the Evaluation of the management and control systems (MCS) in the EEA and Norway Grants carried out by Tetra Tech International Development between April and November 2022. According to the Terms of Reference of the study, **the purpose of the evaluation was to examine the efficiency, effectiveness, and coherence, as well as the potential for simplification and proportionality of the set-up and use of the management and control systems**, including the roles of the Beneficiary State authorities. The report presents the study findings within 10 evaluation questions as well as conclusions and recommendations for the future.

The data collection included country-level research, programme-level research as well as a survey of project promoters (project level) and a benchmarking analysis of simplification measures in EU Cohesion Policy. The data collection in the Beneficiary States was structured within case studies of six Beneficiary States: Estonia, Greece, Latvia, Malta, Poland and Slovakia and covered a sample of 21 programmes. The findings are based on the results of 47 interviews with 95 officials from the Beneficiary States and the European Commission, and 238 contributions to and online survey and 5 contributions to an email questionnaire from the National Focal Points (NFPs) in relation to benchmarking analysis.

Study findings

Consultation with the stakeholders from the Beneficiary States carried out in this study focused on the process of adoption of MCS descriptions, the assessment of detailed MCS requirements from the Grants Regulations as well as potential simplification of the requirements for the future, which are covered in our Recommendations.

Adoption of MCS descriptions

The NFPs as well as Programme Operators (PO) are obliged to develop a detailed MCS description covering the organisation and procedures of the country-level (NFPs) or programme-level (POs) management of the Grants. The NFPs must submit the detailed descriptions to the FMO within six months of the date of the signature of the Memorandum of Understanding. The FMO reviews the descriptions and their compliance with the Regulations (the FMO is not bound by any deadline). The MCS descriptions are considered adopted once the FMO issues an acknowledgement letter, which confirms compliance with the Regulations. In a similar process, POs are obliged to submit their programme-level MCS descriptions to the NFPs. Contrary to the previous funding period (2009-2014), POs' descriptions are not submitted to the FMO, but the NFPs inform the FMO that they have been approved.

This is a time-consuming and effort-intensive process, but criticism was not universal as it is recognised that safeguards have to be in place vis-à-vis the Donors. The bottlenecks in preparing these documents at country level most often related to additional country-specific requirements. This is not something which can be addressed through the EEA/Norway Grant Regulations.

What can be addressed is the role of the FMO in reviewing and acknowledging the document, which – within the overall assessment – is also considered time-consuming and burdensome. There is a difference of opinion between the Beneficiary States, who did not accept that the FMO process results in better quality MCS, and the FMO, which believes that it does, and that Beneficiary States are not yet submitting first drafts that meet FMO's expectations of going beyond simply reiterating what is in the Regulations. In the current situation, the review process is delaying the start of programme implementation.

The FMO is not involved in reviewing MCS at programme level, but at Beneficiary State and Programme Operator levels there are often doubts as to the usefulness of the time and effort put into the MCS as the MCS descriptions are not actually used in everyday work. Manuals and procedures are used instead. Transposing the MCS into national legislation and thus making it part of a national framework, as happens in some Beneficiary States, creates another layer of complexity.

Assessment of MCS requirements

The MCS requirements are included in the Grants Regulations and cover reporting, monitoring, cost verification, audit and forecasting obligations related to Grants implementation at national and programme levels. The key requirements are:

- Strategic Report, submitted yearly by the NFPs to the FMO, covering all programmes and bilateral activities implemented in the Beneficiary State (except for programmes operated directly by the FMO)
- Annual Programme Report, submitted to NFPs and the FMO by POs, covering key information on implementation of each programme
- Forecast of likely payment applications, submitted to the FMO by the CA (and to the CA by the POs) four times a year,
- Audit and on-the-spot verification, which is carried out by the FMO, the NFP, the AA and the POs
- Reporting on irregularities, which includes keeping irregularities registers; POs reporting all irregularities to the IA and IA reporting irregularities in projects above EUR 2 000 to the FMO. This threshold does not apply to programme management costs/Technical Assistance, where all irregularities have to be reported.

The findings from the study suggest that some of the requirements may hinder programme implementation. This is mainly related to the FMO's review of call documents before calls for projects are published, which delays publication of calls in some cases.

Some other issues, mainly related to payment forecasts, reporting requirements and audit, are a source of administrative burden for stakeholders. Forecasts are mentioned particularly often as a burdensome element of the Grants MCS. In particular, the concern is that forecasts are required too frequently, but it is also challenging for stakeholders to prepare robust forecasts. Furthermore, interviewees in some countries suggested a need to amend the process of expenditure reporting and use simplified-cost-options, which uses predefined methods based on process, outputs or results, rather than invoices, widely.

We also identified some overlaps in reporting requirements, related to the Strategic Report and the Annual Programme Reports, which both report progress in programmes on yearly basis, but the Annual Programme Report covers the calendar year, whereas the Strategic Report covers the previous 12 months, but "recycles" the same content. The Annual Programme Report also overlaps with the Interim Financial Reports (reporting on the indicators) and the later overlaps with payment forecasts, as it also includes (monthly) forecasts. POs often commented that, in general, reporting requirements are extensive. Reports are too detailed and required too often.

Some stakeholders also considered the audit requirements disproportionate to the level of funding (for large numbers of samples of projects in audit samples), in particular in smaller Beneficiary States, which also highlighted an insufficient level of Technical Assistance. There is also scope for more coordination of audit plans. There is a general perception, that the Irregularities Authority is not necessary in the institutional setup and that the threshold for reporting irregularities could be increased and also apply to management costs.

We also identified that risk-based approaches to monitoring or audit is not widely used in the Grants, although it could make it possible to reduce some of the burden, while focusing verification efforts on riskier programmes and projects.

There is a common perception of Grants stakeholders in the Beneficiary States that sufficient and adequate measures exist in their countries to avoid the risk of fraud. However, in most cases, this is due to national measures and processes, rather than the Grants MCS.

Conclusions

The processes involved in developing and adopting the MCS descriptions are producing a satisfactory result overall. However, there are instances where the reasons for FMO requirements and their involvement in implementation, and the FMO's expectations, are not well understood, suggesting scope for more dialogue rather than regulatory changes. At all levels, there are areas in the MCS where simplification or streamlining appear to be possible without upsetting the balance between the legitimate interests of the Donors and the autonomy of the Beneficiary States.

There is scope to simplify the process of preparing and adopting the MCS descriptions to address perceptions that adoption at country level is burdensome and significantly delays the start of implementation of programmes without adding to the quality (as opposed to the clarity) of the MCS. There is scope to explore other ways of improving the quality of MCS and adopt risk-based approaches. Programme-level MCS, which are not reviewed by the FMO, do not cause significant issues. However, it is questionable whether these documents are actually needed in all cases as they are rarely used.

The level of burden of checks and balances in the EEA and Norway Grants MCS is similar to that for EU Funds. But the difference in the level of financial allocation of both funding schemes creates a perception that the burden is disproportionate without that necessarily being the case given the Grants' legitimate interest in accountability.

Some of the reporting requirements create a burden for stakeholders in the Beneficiary States and create a generally burdensome framework, which makes the distribution of resources suboptimal. There are examples of simplification measures adopted in the EU Funds, which could also be relevant for the Grants, and help simplify some reporting and other requirements and limit the burden on Beneficiary State stakeholders.

There is scope for more extensive use of risk-based approaches, but some Beneficiary State stakeholders would need support to be able to adopt these methods.

Recommendations

MCS adoption and validation

- **We recommend** that the process of adoption of the MCS at country level be significantly amended either by passing responsibility for verification of the MCS from the FMO to the Audit Authority in full or adopting a continuity principle and applying a risk-based approach, i.e. only review the MCS with significant changes compared to the previous funding period (higher-risk MCS). In both options, the FMO could consider carrying out system audit on implementation during instead of verification ex-ante. We recommend that the FMO consider providing more training and presentations of its expectations of the MCS descriptions.

- At programme level, **we recommend** adopting a similar continuity principle, i.e. abandon the need to prepare the MCS description in the event of rollover to the new funding period without significant changes in the institutional setup. The FMO could also consider keeping more flexibility and allow POs to sign a compliance declaration, instead of developing MCS descriptions, and carrying out a system audit by the Audit Authority at implementation, when considered necessary.

The MCS requirements

- **We recommend** reconsidering if all existing reporting requirements reflect the needs of the Donor States and the FMO and if all reporting obligations are justified, and in particular considering whether it would be feasible to reduce the number of payment forecasts, simplify and revise the structure of reports and potentially shorten them, extend the deadline for the Annual Programme Report and review whether current practice in review of calls for projects is aligned with the intent of the Regulations. **We also recommend** reconsidering if the Technical Assistance provision to smaller Beneficiary States should not be increased.

- **We recommend** that simplified cost options be used for reporting expenditures and reimbursement of costs no longer be based on actual costs incurred (invoices) but on flat-rate reimbursement depending on deliverables. However, there may be exceptions for some programmes or projects (for instance high-risk ones when a formal risk assessment has been adopted).

- **We recommend** adopting measures, which limit the burdens related to audit, including better coordination of audits between stakeholders (annual country coordination meetings) and considering adopting the single audit principle, so that no project promoter is audited more than once during project implementation (with exceptions).

Risk-based approach

- **We recommend** that the FMO promote a risk-based approach to monitoring, verification and audit, and provide trainings to NFPs and POs on how to adopt it and use this at country and programme level. We understand risk-based approach as a formal process leading to establishing risk level of each project or programme, based on predefined scales, and adjusting to monitoring, verification and audit measures to that level (our detailed understanding of risk-based approach is provided in Recommendations section at the end of this report). This approach would allow the NFPs (if they use a risk-based approach for programmes) and POs (if they use a risk-based approach for projects) to focus their effort on high-risk programmes/projects and limit the burden related to monitoring, verification and audits on low-risk ones.

- Given the limited stakeholders' experience with the risk-based approaches, **we recommend** that the FMO develop risk measurement tools and methodology, which could be adjusted to national context, to facilitate this process.

1.   Introduction

This document is the Final Report for the Evaluation of the management and control systems (MCS) in the EEA and Norway Grants under the Framework Contract: "Appraisal, Monitoring and Rapid Assessment Services relating to EEA and Norway Grants 2009-14 and 2014-21". The evaluation was launched following signature of the Specific Contract on a kick-off meeting with the FMO on 24 April 2022.

This report presents the outcomes of the evaluation, including answers to the 10 evaluation questions, relevant findings, as well as conclusions and recommendations for the future.

The report is structured, as follows:

- **Section 2**: Context of the evaluation
- **Section 3**: Methodology of the study
- **Section 4**: Answers to evaluation questions
- **Section 5**: Key findings from the benchmarking exercise
- **Section 6**: Conclusions and recommendations

2. Context of the evaluation

2.1. Background and context

The EEA and Norway Grants are financial mechanisms financed by Iceland, Liechtenstein and Norway with the aim of promoting cohesion in Europe by:

- reducing social and economic disparities in Europe
- strengthening the bilateral relations between the three Donor States and the 15 European countries that receive funding

For the period 2014-2021 (which is still under implementation), the EEA Grants amount to EUR 1.5 billion, while the Norway Grants amount to EUR 1.3 billion. Donor States contribute to the EEA Grants according to their size and economic wealth. The allocation of funding to each Beneficiary State is based on population size and GDP per capita. The Grants are allocated to 15 countries: Bulgaria, Croatia, Czechia, Cyprus, Estonia, Greece, Hungary[1], Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia[2].

The management and control systems (MCS) are specific to the EEA and Norway Grants. Beneficiary States also receive funding from the European Structural and Investment Funds (ESIF; in this report referred to as the EU funds). In some cases, the Beneficiary States' organisational arrangements, including for management and control, are embedded in their organisational arrangements for the EU funds.

The EEA and Norway Grants system faces challenges in achieving the right balance between accountability and efficiency, and not deterring applicants for grants because of the administrative burden involved.

2.2. The structure of the Grants

To maximise the effects of their funding, the EEA and Norway Grants are channelled through programmes, addressing specific issues. Each programme has a clear objective to ensure that the funding is focused and supports strategic partnerships between Iceland, Liechtenstein, and Norway, and the 15 Beneficiary States.

The **Financial Mechanism Committee** (FMC) is ultimately responsible for overall management of the Grants, whereas the **Financial Mechanism Office** (FMO) is responsible for day-to-day management. The implementation of the programmes is the responsibility of the Beneficiary States, which need to provide an appropriate management and control system to ensure sound implementation and management.[3]

Each Beneficiary State has a **National Focal Point** (NFP), most often located in a ministry, such as a ministry of finance or a ministry of economic development, which has overall responsibility for the implementation of the Grants. In some cases, the implementation of EEA/Norway Grants is embedded in organisational structures for all European funds (EU and EEA/Norway Grants); in others, there is a dedicated organisational channel.

Each country also has several **Programme Operators** (PO) who are responsible for making the funding available to applicants through calls for proposals, and for appraising applications, selecting, and monitoring projects. Project promoters are the successful applicants in response to calls for EEA and Norway Grant programmes. In some cases, projects and the project promoters/partners are pre-defined in the programme agreement. In these cases, there is no open selection procedure (grants are awarded directly). Entities from the Donor States are partners in the programmes, contributing to the preparation and implementation of the programmes, and in facilitating partnerships at project level.

The key stakeholders within the network with responsibility for management and control, apart from the FMO and NFP, include the following entities at Beneficiary State-level: **Certifying Authority** (CA), **Irregularities Authority** (IA) and **Audit Authority** (AA).

The Regulations[4] set out the roles and responsibilities of each of the required functions within the Grants' national MCS. However, it is the responsibility of the Beneficiary States to designate who holds these responsibilities. The Certifying

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[1] There are currently no active Grants in Hungary
[2] https://eeagrants.org/about-us#:~:text=The%20EEA%20Grants%20are%20allocated,is%20the%20Financial%20Mechanism%20Committee.
[3] Protocol 38c{ 1 } On The EEA Financial Mechanism (2014-2021), Article 10.
[4] Regulation on the implementation of the Norwegian Financial Mechanism 2014-2021, https://eeagrants.org/sites/default/files/resources/Amended%20NO%20Regulation.pdf,

Authority certifies expenditures in the programmes. The Irregularities Authority identifies and reports on misspending and mismanagement. The Audit Authority carries out independent expenditure verification at country-level, compliance assessments and audits. The **Donor States** monitor the implementation process through the FMO.

2.3. The Grants' management and control system

The Donor States and the Beneficiary State sign a Memorandum of Understanding (MoU) to establish a framework for cooperation and ensure efficient implementation of the Grants in each country. Within six months of the date of the last signature of the (MoU), each Beneficiary State has to submit to the FMO a detailed MCS description covering the organisation and procedures of the country-level authorities, including the NFP, the AA, the CA and the IA. The FMO reviews the descriptions and verifies their compliance with the Regulations (the FMO is not bound by any deadline). The MCS descriptions are considered adopted once the FMO issues an acknowledgement letter, which confirms compliance with the Regulations. In a simar process, POs are obliged to submit their programme-level MCS descriptions to the NFPs. Contrary to the previous funding period (2009-2014), POs' MCS descriptions are not submitted to the FMO, but the NFPs inform the FMO that they have been approved.

The MCS description must present the role and structures of the Beneficiary State authorities. They must reflect the MCS requirements in the Grant Regulations, in terms of reporting, monitoring, cost verification audit and forecasting. The key reporting requirements discussed in this report include:

- **Strategic Report**, submitted yearly by the NFPs to the FMO, covering all programmes and bilateral activities implemented in the Beneficiary State (except for programmes operated directly by the FMO). The report is the basis of discussions at an annual meeting of the Donors

- **Annual Programme Report**, submitted to NFPs and the FMO by POs, covering key information on implementation of each programme, including the outputs and outcomes, for the last calendar year

- **Forecast of likely payment applications**, submitted to the FMO by the CA (and to the CA by the POs) four times a year, in February, April, September, November

- **Audit and on-the-spot verification**, which is carried out by the FMO, the NFP, the AA and the POs

- **Reporting on irregularities, which includes** keeping irregularities register; POs reporting all irregularities to the IA and IA reporting irregularities in projects above EUR 2 000 to the FMO.

3. Methodology of the study

According to the Terms of Reference of the study, the purpose of the evaluation was to examine the efficiency, effectiveness, and coherence, as well as the potential for simplification and proportionality of the set-up and use of the management and control systems, including the roles of the responsible Beneficiary State authorities.

The study was carried out between April and November 2022. The data collection included country-level research, programme-level research and a survey of beneficiaries. i.e. project promoters (project level) and a benchmarking exercise. The data collection in the Beneficiary States was structured within case studies of six Beneficiary States: Estonia, Greece, Latvia, Malta, Poland and Slovakia.

Altogether, we carried out 47 interviews with 95 officials from the Beneficiary States and the European Commission.

3.1. Country-level research

We analysed country documents provided by the FMO, including MCS descriptions. Afterwards we carried out interviews with country-level stakeholders in the six countries with:

- National Focal Points (NFPs)
- Certifying Authorities (CA)
- Audit Authorities (AA)
- Irregularities Authorities (IA)

Our country experts scheduled interviews at country level with representatives of all these authorities in each selected Beneficiary State. We carried out 25[5] interviews with 55 officials.

Interviews were conducted in local languages and were held online or in person, depending on interviewees' preferences. The interviews focused on the process of adoption of the descriptions of the management and control system (MCS), the implementation of the MCS, and the assessment of the MCS requirements. Interviewees were also asked to make comparisons between the requirements in the Grants and in the EU funds.

Following the interviews, the study team carried out an online workshop of country experts (on 12 July 2022) to discuss and compare key findings per country. The findings from this phase of the study were presented to the FMO in the Interim Report.

3.2. Programme-level research

Following approval of the Interim Report, the evaluation team carried out research at programme level. We reviewed programme-level MCS descriptions and carried out interviews in case study countries with a sample of Programme Promoters (POs). The sample was agreed with the FMO. The table below presents the sample of programmes selected for the study.

Table 1. Sample of Programmes for case studies

Country	Number of programmes selected	Programmes selected
Estonia	3	EE-INNOVATION EE-LOCALDEV EE-CLIMATE
Greece	4	GR-ENERGY GR-GOODGOVERNANCE GR-HOMEAFFAIRS GR-ROMAINCLUSION

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[5] In Greece, two separate interviews were carried out with the CA.

Country	Number of programmes selected	Programmes selected
Latvia	3	LV-RESEARCH LV-HOMEAFFAIRS LV-LOCALDEV
Malta	1	MT-LOCALDEV
Poland	7	PL-CLIMATE PL-LOCALDEV PL-INNOVATION PL-CULTURE PL-Applied Research PL-JUSTICE PL-HOMEAFFAIRS
Slovakia	3	SK-INNOVATION SK-CULTURE SK-CLIMATE
Total	**21**	

The team scheduled interviews with representatives of 20 POs[6]. Altogether, we carried out 20 interviews with 37 officials.

Interviews were conducted in local languages and were held online or in person, depending on interviewees' preferences. The interviews focused on the process of adoption of the MCS descriptions at programme level, the implementation of the MCS within programmes, and the assessment of the MCS requirements for POs. Interviewees were also asked to make comparisons between the requirements in the Grants and in the EU funds.

Findings from the programme-level research, including the interviews, are integrated into this report. Following the interviews, the study team carried out an online workshop of country experts (on 24 October 2022) to discuss and compare key findings per country and brainstorm on the answers to evaluation questions.
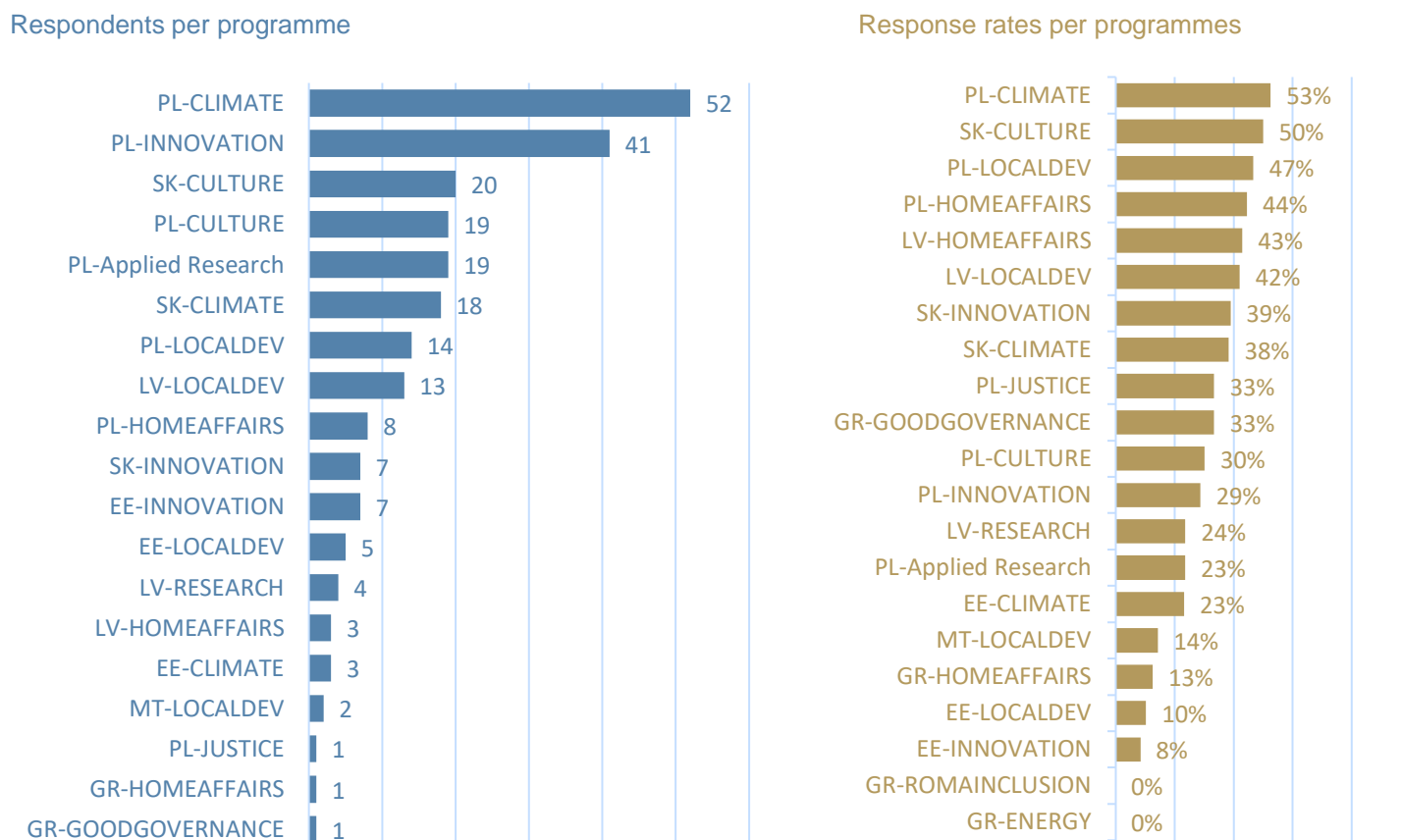
3.3.   Survey of project promoters

Consultation with project promoters was carried out via an online survey. The survey was published on the Snap Survey platform. It was disseminated to project promoters from the six case study countries and six case study programmes (listed in the table above) in September-October 2022. Altogether the survey was sent to 783 respondents, including 145 from Estonia, 26 from Greece, 55 from Latvia, 14 from Malta, 437 from Poland and 105 from Slovakia. We used email addresses provided by the FMO. Respondents received an initial invitation and up to two reminders.

238 respondents completed the survey, generating an overall response rate of 30.4%. The response rate varied across case study countries: it was above the average in Slovakia, Latvia and Poland, but below the average in Estonia, Greece and Malta. There were 15 responses from Estonia (response rate of 10%), only 2 from Greece (8%), 20 from Latvia (36%), 2 from Malta (14%), 154 from Poland (35%) and 45 from Slovakia (43%). Respondents from Poland constituted 65% of all respondents, those from Slovakia – 19%, Latvia – 8.4%, Estonia – 6.3%, Greece and Malta – 0.8%. To avoid the results being biased, we also carried out an analysis of the results per country (except for Greece and Malta, where the sample was too small).

They came from 19 of the 21 programmes from the sample (respondents from two Greek programmes did not contribute to the survey). The programmes with the highest number of respondents were from Poland and Slovakia: PL-CLIMATE and PL-INNOVATION, followed by SK-CULTURE, PL-CULTURE, PL-Applied Research and SK-CLIMATE. Two programmes achieved a response rate of 50%: PL-CLIMATE and SK-CULTURE. All respondents (238) had started their projects and 1.7% (four respondents) had already finished theirs.
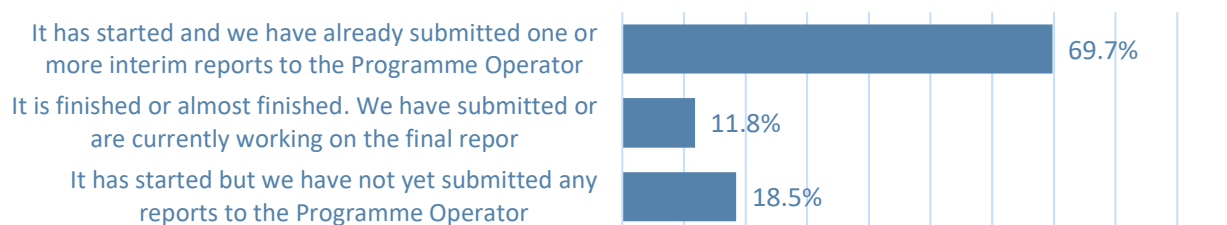
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[6] An interview with a representative of PL-CULTURE programme was not conducted.

Figure 1. Respondents to the survey per programme and the response rate per programme (n=238)

Respondents per programme

Programme	Respondents
PL-CLIMATE	52
PL-INNOVATION	41
SK-CULTURE	20
PL-CULTURE	19
PL-Applied Research	19
SK-CLIMATE	18
PL-LOCALDEV	14
LV-LOCALDEV	13
PL-HOMEAFFAIRS	8
SK-INNOVATION	7
EE-INNOVATION	7
EE-LOCALDEV	5
LV-RESEARCH	4
LV-HOMEAFFAIRS	3
EE-CLIMATE	3
MT-LOCALDEV	2
PL-JUSTICE	1
GR-HOMEAFFAIRS	1
GR-GOODGOVERNANCE	1

Response rates per programmes

Programme	Response rate
PL-CLIMATE	53%
SK-CULTURE	50%
PL-LOCALDEV	47%
PL-HOMEAFFAIRS	44%
LV-HOMEAFFAIRS	43%
LV-LOCALDEV	42%
SK-INNOVATION	39%
SK-CLIMATE	38%
PL-JUSTICE	33%
GR-GOODGOVERNANCE	33%
PL-CULTURE	30%
PL-INNOVATION	29%
LV-RESEARCH	24%
PL-Applied Research	23%
EE-CLIMATE	23%
MT-LOCALDEV	14%
GR-HOMEAFFAIRS	13%
EE-LOCALDEV	10%
EE-INNOVATION	8%
GR-ROMAINCLUSION	0%
GR-ENERGY	0%

Respondents were generally experienced in the management of projects funded by the Grants, with eight out of ten having already submitted at least one report in their projects. This included those who reported that their projects had started and who had already submitted one or more interim reports to the PO (70%; 166 respondents) or whose projects were finished or almost finished, and they had submitted or were working on the final report (12%; 28 respondents). The remaining respondents (19%; 44 respondents) reported that their projects had started but they had not yet submitted any reports. These results were similar in all countries.

Figure 2. Please indicate the current level of implementation of your project (n=238)

Implementation level	Percentage
It has started and we have already submitted one or more interim reports to the Programme Operator	69.7%
It is finished or almost finished. We have submitted or are currently working on the final repor	11.8%
It has started but we have not yet submitted any reports to the Programme Operator	18.5%

3.4. Benchmarking analysis

Lastly, we carried out a benchmarking analysis of the Grants management and control system (MCS) against the recent changes in the EU Cohesion Policy management and control requirements in the current funding period (2021-2027). The aim of this analysis was to **assess if similar changes would be beneficial in the Grants MCS**. Our work for this task included two interviews with the European Commission, including:

- A representative of the European Commission, DG REGIO, on competency frameworks (18.10.2022)
- A representative of the European Commission, DG REGIO, on simplification measures in Cohesion Policy (21.10.2022)

The first interview, which was initially intended to focus on DG REGIO competency frameworks for state administrations, in the end focused on a different topic of *Roadmaps for Administrative Capacity Building in EU Regional Policy*[7]. Although we initially assumed that the competency frameworks could be a useful tool to contribute to capacity building of Beneficiary States' administrations, the feedback from DG REGIO was that usage of the competency framework feel short of expectations, including because they were too complex. Despite some positive feedback at the pilot stage, in the end the EU Member States have not been using them. It was not recommended that the FMO to follow this path. Instead, the interviewee suggested looking at the Roadmaps, a newer, simpler and less burdensome tool. This is already used by several Member States, including some of the case study countries, in particular Latvia and Slovakia (Estonia uses it partially). In addition, Greece and Poland were partly involved in piloting it.

Following the interviews with the Commission, we developed an **email questionnaire** listing the key changes in the Cohesion Policy, which was shared with the NFPs. They were asked to assess if they would welcome similar changes in the MCS of the Grants. Additionally, they were asked to assess the potential usefulness of the Roadmaps for Administrative Capacity Building in the context of the Grants.

The results of this exercise are presented in Section 5 of this report. The results were also used in the development of the recommendations from the study.

Five of six NFPs of the case study countries provided their responses (Estonia, Greece, Latvia, Malta and Poland). The Slovak NFP declined with regret to provide a response as its workload was too great.

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[7] https://ec.europa.eu/regional_policy/en/policy/how/improving-investment/roadmap_admin/

4.   Answers to evaluation questions

The section below presents the answers to 10 evaluation questions and the evidence supporting these answers.

4.1.   Efficiency

4.1.1.   Administrative burden related to MCS descriptions

Evaluation question 1.

Regarding the level of administrative burden involved in preparing and concluding the management and control systems' descriptions:

a.   How long does it take to prepare and to conclude on the MCS at the national and programme level?

b.   What are some common bottlenecks in the preparation and conclusion processes? What can be done to avoid them in the future?

c.   How could the procedure be shortened without sacrificing the quality of the MCS description?

Answer to the evaluation question

Note. This section focuses on the development of MCS descriptions at country level. The FMO role in adopting this document is discussed in section 3.2.3.

There were differences in the Beneficiary States' and Programme Operators' assessment of their internal processes for preparing and concluding MCS descriptions. There was a general perception that this process is time-consuming and effort-intensive, but not all interviewees considered this an issue. The bottlenecks in preparing these documents at country level most often related to additional country-specific requirements. Shortening the procedure could be achieved by addressing these specific issues, but that is outside the scope of the Regulations. At programme level many interviewees considered the requirement to prepare MCS descriptions unnecessary.

Most stakeholders at country and programme levels do not find the process of preparing MCS descriptions particularly problematic, although there is a general perception that it is rather time-consuming and resource intensive. At country-level, four countries (Estonia, Latvia, Malta, Poland) reported that they were able to develop their MCS within the 6-month deadline without particular issues. This was also the timing mentioned by most of POs, with some exceptions in Greece. For Latvian POs, the process was even shorter, 3-4 months,

The process at country level in Greece and Slovakia, but also for some POs (e.g. some in Latvia and some in Greece) proved to be more challenging. The process took longer due to the number of stakeholders involved and the need to reflect national legislation and/or national-specific approaches. For instance, in Greece the programme-level MCS is also included in the national-level MCS. This increases the level of administrative burden and the time required to reach approval from the NFP. Another challenge in Greece, but also in Latvia, is that the MCS, once adopted, needs to be integrated into national legislation. This was assessed as burdensome by the stakeholders. Interviewees in Slovakia highlighted that the wording of the Regulations was not detailed enough for the purposes of preparing a detailed MCS description and that there were delays in the preparation of the MCS due to workload and overlapping tasks (preparation of new programmes and closing the previous programmes). In Latvia, POs highlighted a challenging process of having the MCS approved by the AA, which provided numerous comments. In Latvia, there is also an obligation to update the MCS once a year.

What also added to the time taken in Estonia and Malta were the negotiations with the FMO on the MCS institutional setup. Estonia negotiated the role of implementing agencies, which are not foreseen in the Regulations, but have an implementing role in EU funding schemes in Estonia. An issue negotiated in Malta was the dual role for the Funds and Programmes Division as the NFP and the PO. Time was needed to separate the functions in the Description of the MCS.

Taken overall, the requirement to prepare the MCS document was not per se considered an issue. The MCS as a system needs to exist at country level anyway, so it is not an issue to describe it in a document for the FMO. In fact, interviewees highlighted that there are even more documents going beyond the overarching description, which describe MCS procedures in detail. So, the feedback focused not on the requirement as such, but the review process.

The assessment of the need to prepare the MCS description was a bit different at programme-level. Interviewees had mixed opinions on the existence of the added value of this document. Most POs in Poland and Latvia assessed that this document is unnecessary. They highlighted that it mainly reflects and presents existing legislation and procedures and reflects systems already in use in the previous funding period, so it does not provide any added value in their work. It is only useful for auditors. Others considered that the MCS description is a useful document because it gathers all important information in one location as the main reference document for the management of the Grants. It is particularly useful for anyone new to the process, but not so much for more experienced staff.

In Greece and Latvia, the obligation to transpose the MCS into national legislation adds administrative burden. In Greece, including the programme-level MCS in the country-level document adds administrative burden. This is, of course, beyond the scope of the Regulations.

As regards programme-level MCS descriptions, according to many interviewees, a specific MCS description is not needed to ensure compliance with the requirements the MCS covers. Programmes could use whatever measures are needed to ensure compliance, for instance detailed manuals, such as are drawn up anyway.

4.1.2. Additional national rules and procedures

Evaluation question 2.

What are the most common areas in which the national-level MCS include additional national rules and procedures, beyond what is requested by the legal framework of the Grants? To what extent is this caused by national legal requirements that cannot be waived and to what extent is it a result of national administrative cultures? (EQ2)

Answer to the evaluation question

The question, as phrased, is challenging to answer. This is because the stakeholders interviewed for the study did not really consider national rules as additional to the legal framework of the Grants, but rather considered national regulation as the main source of rules, which they need to comply with. It is instead the Grants framework which is considered something *additional* to the ordinary rules. Nevertheless, the study did allow us to identify some areas in which the national-level rules can be considered as going beyond what the Regulations require. In each Beneficiary States, this is related to a different element. We did not identify any common areas.

In most cases, interviewees were not able to reflect on this question. They reported that it is the national framework (legislation, procedures), which is their natural environment, and it is the Grants framework, which is something *additional*. For instance, one interviewee in Poland assessed that 90% of programme implementation falls under national procedures, and only 10% under the Regulations. The numbers are obviously indicative, but this confirms that despite all the rules and regulations, it is rather the national context that provides most of the rules, which Grant staff at country and programme level need to comply with. Other specific examples are Greece and Latvia, which transfer the MCS descriptions, once they are adopted, to national law. This again made it difficult for interviewees to distinguish between the national and Grants framework.

Areas in which the national-level rules can be considered to go beyond what the Regulations require were country-specific. We did not identify common areas. Each of them applies to a different element. For example, Greece and Estonia have online systems (which are also used also for the EU funds) that the POs are obliged to use in parallel with the GRACE system[8]. They consider this duplication of work. While this might be considered out of scope, Beneficiary States perceive GRACE as being part of the management and control system because of the link with reporting. They frequently raised this spontaneously.

In Latvia, there is an obligation for the NFP and POs to review the MCS description every year, which is not required by the Regulations. In Malta, all costs incurred are subject to cost verification (instead of verifying a sample), because – due to the low number of projects and small sample, the possible error rate would be too high otherwise. Also in Poland, apart from submitting interim financial reports to the FMO twice a year in March and September, POs are also obliged to submit cost statements to the NFP in June and December, so financial reporting is in fact extended from 2 to 4 times a year and the NFP reviews Annual Programme Reports before they are submitted to the FMO.

It is difficult to identify any trends in these examples. Some of these rules were developed for the management of the EU funds, but apply to any external funding (e.g. online system in Greece, irregularities definition in Poland). In other

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[8] An online system supporting the management of the Grants, in particular reporting processes.

cases, they result from Beneficiary States' assessment of the Grants' rules as insufficient to ensure adequate management and control (e.g. verification of all costs in Malta or obligatory review of the MCS in Latvia). They are also not necessary a result of national administrative cultures, but particular decisions made. However, in some countries, in particular Latvia, there seem to be some general tendency to overregulate.

4.1.3. FMO role in MCS document development

Evaluation question 3.

Is the current approach of the FMO for preparation, reviewing, and acknowledging the MCS document sufficient for creating good-quality MCSs description or would more detailed guidelines/checklists deliver better quality? To what extent should the guidelines/checklists be the same irrespective of programme portfolio size in a given beneficiary state?

Answer to the evaluation question

The study suggests a certain level of dissatisfaction with the current role of the FMO in reviewing and acknowledging the MCS document. Almost all stakeholders at country-level find the FMO review process time-consuming and burdensome. They consider that it delays programme implementation. The FMO considered that the review process contributes to the quality of the MCS at national level, as the first drafts submitted by the NFPs are often insufficient, only repeating the rules from the Regulations. Interviewees from the Beneficiary States did not perceive the review process as leading to improving the quality of the MCS, even if it improves the quality of MCS descriptions as documents. There is a clear hope in the Beneficiary States that this process will change in the next funding period. The feedback from stakeholders does not confirm the need for a revised checklist to be used by the FMO. A more comprehensive reform is hoped for that might even go as far as abandoning the FMO review or a review of selected MCS only.

The FMO's role includes reviewing and approving the MCS descriptions. Formally this is called *acknowledgment* (the review process is finalised with acknowledgment letters), but from the Beneficiary States' perspective this does not differ from an approval process. Most Beneficiary States considered that the FMO's review of the MCS took too much time and was unnecessary. Some interviewees highlighted the fact that the **FMO's review process took longer than the development of the document** (e.g. Latvia, Poland). Some interviewees suggested that the FMO's comments were unnecessary because they **did not contribute to the quality of the MCS**. However, feedback from the FMO suggests that it has a different view and that the descriptions improved as a result of the review process and that this resulted in an improved MCS. The Beneficiary States did not see the same cause and effect, and often did not seem to have a clear idea of the FMO's expectations.

There was also feedback that different FMO staff tended to provide different comments, which implied that there were different interpretations of what is required. Several interviewees from the Beneficiary States also highlighted the fact that the lack of a clear timeline for this review was suboptimal. The FMO does not provide a deadline by which it will provide comments, which means that countries are not able to plan any next steps.

For many interviewees at country-level, **the FMO review process is considered to duplicate the national-level ex-ante audit of the MCS**, carried out by the AA, and because of this duplication is causes a feeling of a lack of trust to the state administrations by the FMO. The FMO's review was highlighted as an unnecessary burden, which holds up programme implementation. There is a clear hope that this process will change in the next funding period. Most interviewees agreed that the national MCS should be the responsibility of the Beneficiary States and that the AA's review should suffice. It was suggested that the FMO review could be abandoned, just as it was abandoned for the programme-level MCS in the current funding period.

Other suggestions made by interviewees on how to improve the process related to providing training and guidance to better present the FMO's expectations. According to some, the wording of the Regulations is not detailed enough for the purposes of preparing a detailed MCS description. A further suggestion was that a system audit should be carried out later in the process, so that it does not delay the implementation of programmes.

The study did not confirm the need to provide a template for MCS descriptions or amending the existing checklist, used by the FMO. Interviews in Beneficiary States with a smaller programme portfolio, in particular in Malta, did not confirm the need for tailored checklists or guidelines for these countries, since, as indicated above, there is clear hope that the change in this process will be more *radical*, as described above.

4.2. Effectiveness

4.2.1. MCS hindering programme implementation

Evaluation question 4.

Does the implementation of the MCS descriptions and the pursuant checks, verifications and reporting requirements hinder actual programme implementation in terms of over-control on programme and project level? If yes, to what extent?

Answer to the evaluation question

The evidence collected within the study confirms that there are examples of checks, verifications and reporting measures which hinder actual programme implementation at programme and project level. This is mainly related to the FMO's review of call documents before calls for projects are published. Some other issues, mainly related to reporting requirements, are a source of an administrative burden for stakeholders. Feedback provided by project promoters confirm that checks, verifications and reporting requirements may also hinder actual programme implementation to some extent at project level. The majority of these do not directly derive from the Management and Control System description or the institutional set-up and requirements it contains. They relate to hindrances in implementing programmes and projects that arise in programme and project management in the broadest sense of the word. They are reported here because they were raised frequently and spontaneously. They are thus indicative of issues of which – rightly or wrongly – Beneficiary States and POs feel the FMO is not sufficiently aware and/or that they saw this study as an opportunity to use as a channel for using them.

An example of a review measure, which can be considered over-control, is the FMO review of national MCS descriptions, which was discussed in answer to EQ 3. This again takes time which could be used for programme implementation.

However, the feedback suggests that the **main issue hindering implementation in several countries is the FMO review of call documentation** – which does not on a strict reading of the Regulations fall under the MCS. This was flagged in Estonia, Greece and Latvia. Our interviewees highlighted that they consider this to be over-control of programmes, which is in fact not in line with the Regulations. The interviewees reported that the FMO provides comments on call documentation, which they are requested to address, although, according to the Regulations, they are only required to *inform* the FMO about calls at least two weeks in advance of their announcement.

Another indication of over-control, according to these interviewees, is that they are requested to provide all call documentation in English, not just the main call document, but also the annexes, which is time-consuming due to the need for translations. This hinders programme implementation, because the whole process, in particular addressing the FMO's comments, is time-consuming and in many cases forces POs to suspend calls. As a result, some of the calls are seriously delayed, even for a couple of months. This also limits the time for implementation of projects, which are eventually selected in these calls. It was also pointed out that in the case of the EU funding, the European Commission does not verify calls. It is the national Managing Authority (equivalent of the NFP) which approves them.

The FMO sees this as a nevertheless necessary process. It has noted instances, when call texts received by the FMO before publication, had not complied with the minimum requirements set in Article 7.3.2. of the Regulations. This justified comments from the FMO or required the FMO to insist on corrections before the texts could be published. Also, translation of all supporting documents was required by the FMO, when the minimal requirements were not included in the main call document and the FMO was not able to check the compliance with the Regulations.

Other issues to which our interviewees drew attention, and which are listed in Box 1 and Box 2, do not necessarily individually impact programme implementation as significantly and, on their own, do not hinder actual implementation, but together they create a significant administrative burden. **According to many interviewees, the administrative burden is disproportionate relative to the funding allocation.** Some interviewees (in medium-sized countries) also felt that the level of Technical Assistance is insufficient to fulfil all MCS obligations. There were also comments that staff of ministries are *completely lost in the procedures* (not understanding them) and *overwhelmed*. Interviewees from other countries (Malta, Poland), did not indicate that these issues *hinder* programme implementation, but they nevertheless identified similar issues as being burdensome.

Box 1. Key burdensome elements of the MCS according to interviewees

- **Payment forecasts**. Interviewees in all countries indicated that the need to provide forecasts is burdensome. Often, they mention it as the main issue relating to the MCS. In particular, the concern is that forecasts are required too frequently. Many suggested that twice a year, instead of four times a year, would suit them better. Many also highlighted that they are not able to prepare realistic and robust forecasts, in particular far in advance.

- **Expenditures' reporting**. Interviewees in some countries suggested a need to amend expenditures reporting. It was suggested that the FMO adopt the EU's simplified-cost-option approach, which uses predefined methods based on process, outputs or results, rather than invoices. Although expenditures reporting based on invoices is still widely used in funding programmes, it is viewed as an "old-school" method of fund management.

- **Overlaps in reporting**. Some interviewees, mainly from POs, but also some NFPs, pointed out to overlaps in reporting requirements. This is the case for the Strategic Report (SR) and the Annual Programme Reports (APR), which both report progress in programmes on yearly basis, but the APR covers the calendar year, whereas the SR covers the previous 12 months. They nevertheless "recycle" the same content. The APR also overlaps with the Interim Financial Reports (IFR), because the September IFR also covers reporting on the indicators, which are also included in the APR submitted a couple of months later. The APR deadline is also challenging in some countries (Estonia, Poland), given the busy new year period. The IFR also overlaps with payment forecasts, as they also include (monthly) forecasts. POs often commented, that in general, reporting requirements are extensive. Reports are too detailed and required too often.

- **Audit**. Several respondents referred to audit requirements as disproportionate to the level of funding (large numbers of projects in audit samples), in particular in smaller Beneficiary States (Latvia, Slovakia). POs also highlighted the fact of multiple authorities having auditing obligations (PO, NFP, AA, FMO), but the samples of projects are often small, and therefore the same projects are audited multiple times. Audit plans are coordinated to some extent by the FMO and the AAs, but there is scope for even more coordination, as there is often an accumulation of audits in a short time frame at programme level.

- **Irregularities**. The feedback on the process of reporting irregularities was mixed. Some interviewees also considered it burdensome (see more in section 2.3.2).

Box 2. Other burdensome elements according to interviewees

- **Review of call documentation.** This was a significant issue in several countries and is described in detail in the main part of this section.

- **Bilateral Fund**. Several interviewees reported that the concept of the Bilateral Fund, which is co-managed by the NFP and POs, is too complicated. The amount of the fund is small, but the management requires considerable effort. As a result, the Fund is typically viewed as an additional burden, rather than as an opportunity, which also makes "ownership" of the Fund problematic. What is more directly related to MCS, is that some interviewees also complained about the fact that reporting on Bilateral Fund is separate from regular reporting on programmes, which creates an additional burden.

- **Formal amendments to programmes**. Several respondents flagged issues relating to the process of handling programme amendments. The problems experienced relate to different elements in each country. In Latvia, the highlighted problem was Concept Notes, which are perceived to require inclusion of include too many details, which later cannot be amended. In Poland, the issue highlighted was the reallocation of funds between different calls within a programme (for instance, when not all resources are spent). The overall consensus was that documents agreed at political level, in particular Programme Agreements, should include less detail, so that formal amendments are not required. Otherwise, the system limited the flexibility of the programmes and their ability to react to changes in the external environment. This was the case with the pandemic and the Russian invasion of Ukraine, which required adjustment to calls, but adoption of these adjustments was very time-consuming.

- **GRACE system**. GRACE was raised by most interviewees of this study. Interviewees in some countries felt that GRACE does not provide sufficient support for MCS and reporting. Their view was that the system was created as a project database, rather than a management system and as such it does not support reporting processes. It does not allow for direct reporting by project promoters, which could feed into POs' reports directly generated from the system. However, it is not clear that this is an issue that could be addressed by the FMO

but the NFPs, which could expand the use of national systems used for the management of the EU funds to the Grants (if feasible in a national context). This would avoid duplication of work, which is the case in Greece, where interviewees complained about the need to provide the same information in two systems, GRACE and a national one used to manage the EU Funds (which is a national requirement, not a requirement of the Regulations). Another issue is that the process of submission of reports in GRACE does not reflect the official approval track in the ministries. Reports are therefore developed outside GRACE and later copy-pasted to the system's forms.

Feedback provided by project promoters confirms that checks, verifications and reporting requirements may hinder implementation of projects, which may also hinder programme implementation to some extent. In the online survey, the vast majority of respondents indicated that project reporting requirements (74%) and reporting project expenditures (71%) in the Grants caused problems. Only 21-22% reported that the requirements were easy to fulfil. On a positive note, most of those who experienced problems assessed problems as manageable (64% and 59%). Only 10-12% assessed that they were very challenging and problematic. The details are presented in Figure 3. The results were similar in all countries covered. Only in Slovakia did significantly more respondents (27% and 31%) assess the requirements as very challenging and problematic.)

Figure 3. Survey results: What is your assessment of the reporting requirements/requirements for reporting expenditure for your project? (n=238)
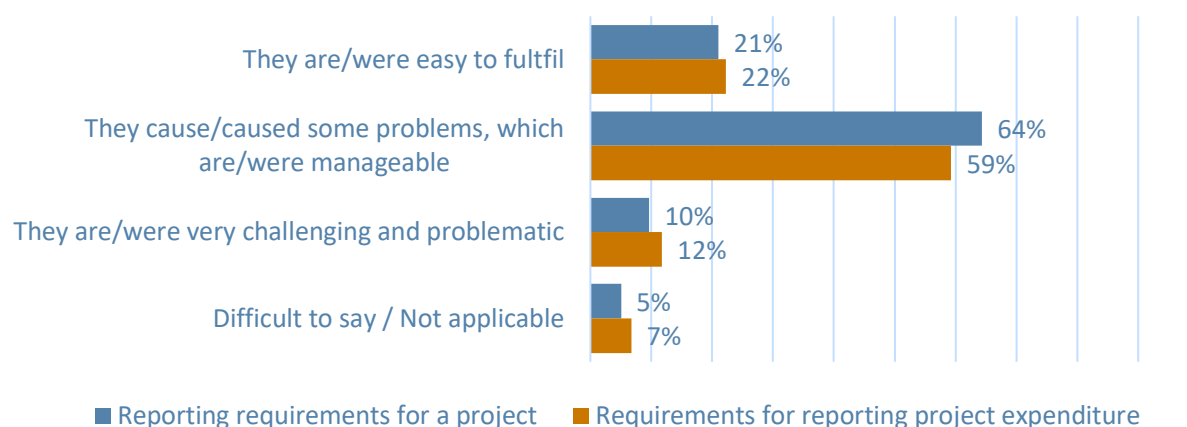
4.2.2.　The Grants and the EU Funds

Evaluation question 5.

To what extent are the Beneficiary States using the same systems and procedures and processes applied to managing the EU Structural and Investment Funds and the Cohesion Fund as they are using for managing the EEA and Norway Grants?

Answer to the evaluation question

The Beneficiary States are to a large extent using the same systems and procedures and processes applied to managing the EU funds as they are using for managing the Grants. Some administrations make a particular effort to align the procedures between the two. Others do not, but there is a tendency to use the procedures and institutional set-up of the EU Funds when a similar element is missing in the Grants framework, creating de facto alignment.

At national and programme level, many of the people involved in the Grants are also engaged in the management of the EU Funds (especially in smaller Beneficiary States) or work in close cooperation with colleagues engaged with the EU Funds (e.g. Poland). Whilst there are limits to how much the regulations governing both types of funds can be aligned, several countries have made a significant effort to align them (in particular Estonia, Greece and Malta). It was also highlighted many times that **there are efficiency gains when the MCS of the Grants is closely aligned with**

MCS in the EU Funds. It is simpler for staff of ministries to follow the same or similar procedures where there is a similar institutional set-up.

In larger administrations, e.g. Poland, the situation is a bit different, as there are different units dealing with EU funding and the Grants. Nevertheless, even here, there is a natural informal tendency to align the MCS of both. In particular, where there are areas which are not fully regulated by the Grants documents or a certain element or procedure is missing, the administration would in most cases use elements/procedures existing already in the management of the EU funds. Colleagues from EU units in ministries can in most cases provide well-established procedures.

On the other hand, there seems to be scope for even more use of EU-related procedures. In Greece, a national system is also used for the Grants in a way that duplicates work; interviewees consider it an issue, because it creates additional burden on them. In Poland an online system which was created for the management of the EU funds (SL2014) is not used for the Grants, although, according to interviewees, it could be used to facilitate beneficiaries' reporting and the generation of POs' reports.

In general, interviewees in this study often referred to specific measures applied under the EU scheme, which could be replicated in the Grants, including measures adopted recently (see more in Section 5 on benchmarking).

4.2.3. Awareness of the MCS

Evaluation question 6.

How aware are the persons involved in the management of the Grants at the national and programme level aware of the existence of the MCS? How are the requirements of the MCS transferred into their everyday work?

Answer to the evaluation question

The study confirms that the people involved in the management of the Grants at the national and programme level are aware of the existence of the MCS, even if they do not use the MCS description in their everyday work. The MCS requirements are transferred to their daily work through detailed manuals and procedures, which they follow when managing Grants at country level or managing programmes. In some countries, the MCS is transposed into legislation and becomes part of national framework.

Interviewees for this study clearly confirmed that management of the Grants is carried out in a **dual environment**. This consists of national rules, such as procurement law or requirements related to public financial reporting, which are based on national legislation and ministerial manuals. It also consists of the Grants requirements based on the Regulations. The situation varies across Beneficiary States, as in some of them the rules of the Grants MCS are transferred directly to the national legislation (Greece, Latvia), whereas in others these two systems exist in parallel. Nevertheless, the rules of both must be followed in the implementation of the Grants, so the staff in the NFPs or POs clearly know them. The Grants MCS are particularly relevant for checking deadlines, reporting requirements (programme or country reporting, financial reporting, reporting irregularities), preparation of forecasts or processing reports in GRACE. The interviewees also confirmed that many members of staff of the NFPs, AAs, Cas, IAs and POs are also involved in the preparations on MCS descriptions at country or programme level. In some POs, the whole programme teams were involved. So, they naturally are well aware of the existence of the MSC. There is also an example of staff in ministries (in Latvia) having to sign certain documents to confirm that they are familiar with them.

This does not mean, however, that the MCS descriptions, as standalone documents, are frequently used in everyday work. The study suggests that **these documents are rather prepared because they are required, not because they are perceived to be needed**, in particular at programme level. Some POs or NFPs confirmed that they are mainly used by new team members to familiarise themselves with the MCS. Other staff members may use them for instance to verify deadlines. In everyday work, stakeholders would rather use more detailed manuals of procedures, which are developed in compliance (or even on the basis) of MCS descriptions.

### 4.2.4. Project promoters' feedback

Evaluation question 7.

How are the programme level MCS procedures viewed by project promoters who are also beneficiaries of comparable EU funding schemes?

Answer to the evaluation question

The evidence collected within the study suggest that the Grants and the EU funds are rated similarly by project promoters, when it comes to their user-friendliness for beneficiaries.

Project promoters' feedback on the MCS procedures was collected via an online survey (see details in methodology Section 2). Respondents were asked if they had worked on projects funded by the EU Funds and 8 out of 10 (79%) reported that they had. They were then asked to compare how user-friendly the EEA/Norway Grants are compared to EU Funds using four criteria, as presented below.

*Figure 4. Survey results: comparative assessment of Grants' and EU Funds' requirements: (n=238)*
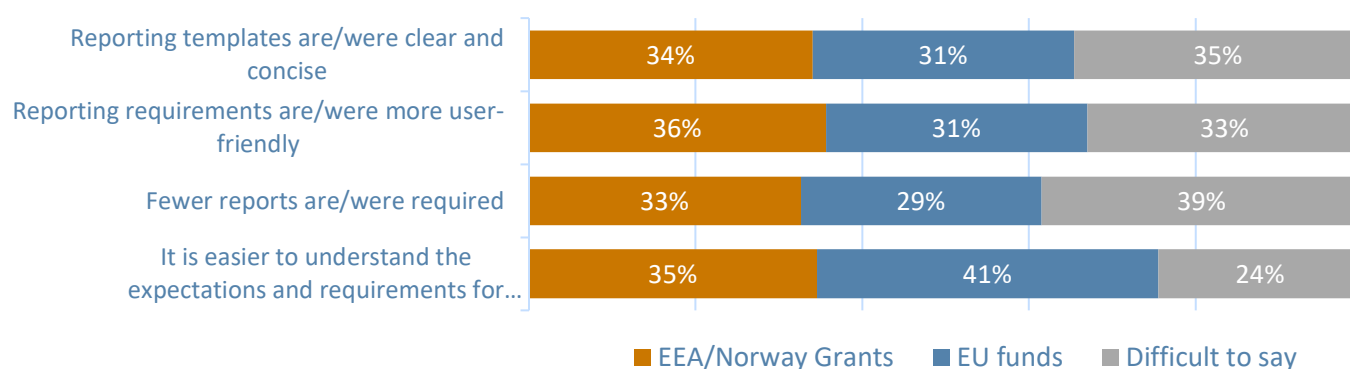
There is no clear picture of one or the other source of funding having easier requirements according to this assessment. The differences are rather insignificant and about one third in each case. The average results for the four sub-questions were 35% favouring the Grants, 33% favouring the EU and another 33% providing neutral answer.

Nevertheless, the Grants' reporting templates were assessed as clearer and more concise, the reporting requirements were assessed as more user-friendly and the number of reports needed was assesses being fewer (margins of 3, 5 and 4 percentage points). On the other hand, it is easier to understand the EU Funds' expectations and requirements for beneficiaries, according to the survey results (by a margin of 6 percentage points, with fewer neutral answers). This might suggest that clarify of expectations and requirements is perhaps an area, where there is scope for improvement in the Grants MCS.

In the group of respondents, who had not yet submitted any reports, the shares of those favouring the Grants and the EU were equal (24% each). Those who had submitted at least one report for a Grants project tended to favour the Grants slightly more (37% compared to 34%) and those who had finished or almost finished their project leaned even further towards the Grants (46% compared to 29%).

The results varied across countries. Respondents from Poland (who constituted the majority of the sample) tended to assess the EU Funds' expectations and requirements as being easier to understand than those of the EEA/Norway Grants (44% to 28%). The reverse was true everywhere else, and this was particularly marked in Estonia (Figure 5).

Figure 5. Survey results: It is easier to understand the expectations and requirements for beneficiaries[9] (n=238)
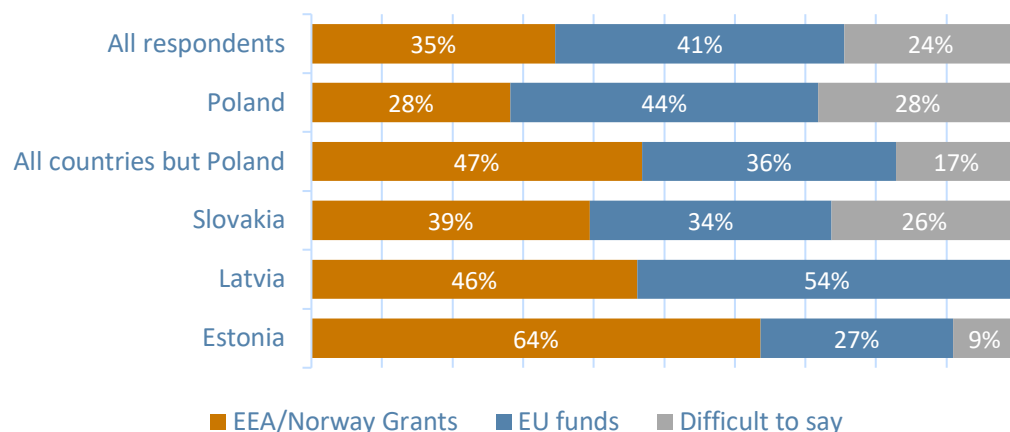

When asked specifically about the clarity of administrative expectations and requirements in the Grants, more than eight out of ten respondents (84%) confirmed that the administrative expectations and requirements were clear for them and their teams, including 12% who indicated that they were fully clear and 72% that they were rather clear. 14% assessed that they were unclear. The details are presented below. The results were similar for all countries.

Figure 6. Survey results: Are the administrative expectations and requirements clear? (n=238)
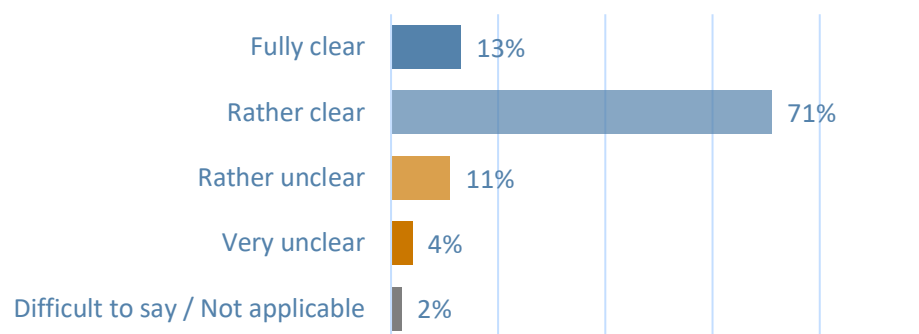
Another positive element of the MCS is the support provided to project promoters by the POs in understanding the requirements. This is an important asset of the Grants MCS. Nine out of ten project promoters, who contributed to the survey, assessed that POs provided them necessary support either fully (50%) or partially (41%). The details are presented below.

Figure 7. Survey results: Has the Programme Operator provided you necessary support in understanding administrative expectations and requirements of the Grants? (n=238)


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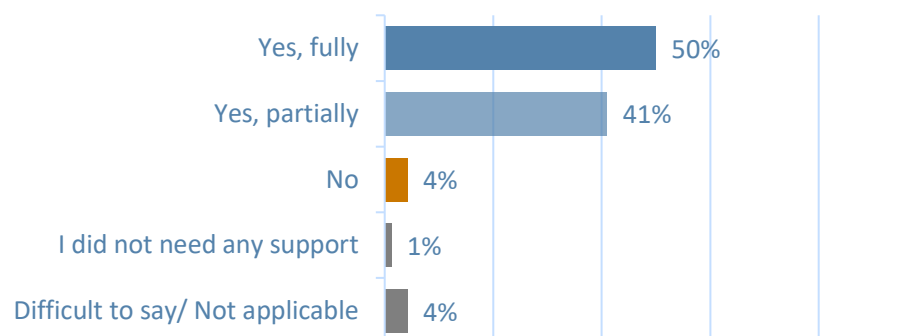
[9] All 4 respondents from Malta and Greece selected the EEA/Norway Grants

The results were even more positive for respondents from Estonia, Latvia and Slovakia, where 73%, 60% and 56% of respondents respectively confirmed receiving full support.

The data further confirms that POs' support influences the clarity of administrative expectations, as per the Figure below. Of those respondents who reported that POs had provided them full support, 25% also indicated that the requirements are fully clear and 71% that they are rather clear. Of those who reported receiving partial support, none indicated that the requirements were fully clear, 73% indicated that they rather clear, 22% that they are rather unclear and 4% - very unclear. All respondents who assessed the requirements as fully clear also indicated that they received full support.

Figure 8. POs influencing the level of perceived clarity of administrative expectations and requirements (cross-checked data from Figure 6 and 7 (n=225)[10]
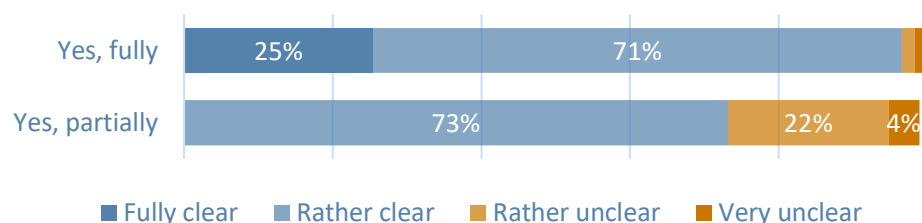
The differences between feedback received across Beneficiary States may confirm an opinion expressed by a PO that it is the PO who *creates the environment for the beneficiaries*. The POs can have a significant impact on how user-friendly the Grants are for project promoters, as they can provide support and information and even hand hold them if necessary. The data may suggest that some POs are more effective in fulfilling this task than others. Improving project promoters' views on Grants implementation may not necessary always require changes in the MCS requirements, but instead providing necessary support to POs, who can than provide the necessary support to the project promoters.

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[10] Due to small sample, 'no' answer to the question 'Has the Programme Operator provided you necessary support?' was skipped. Only 9 respondents selected it and provided an answer other than 'Difficult to say/Not applicable' to the other question.

4.3. Coherence

4.3.1. Complementarities, gaps, and potential overlaps

Evaluation question 8.

Do the checks, verifications, and reporting requirements outlined in the Regulations create complementarities, gaps, and potential overlaps between the tasks of the FMC/FMO, national entities (NFP, AA, CA, IA) and programme operators? If yes, to what extent? (EQ8)

Answer to the evaluation question

The study confirms that there are some overlaps between the tasks of some entities involved in the Grants. They do not necessarily hinder implementation of programmes, but they create duplication of effort and duplication of requirements, and perhaps not an ideal distribution of resources. The study did not confirm an existence of gaps between tasks of different entities.

The main overlaps between the tasks of different authorities, identified by the stakeholders, are as follows:

- Duplication of the country-level review of the MCS description, which is carried out by the Audit Authority, but also the FMO
- Duplication of the programme-level review of MCS description, which in some countries is carried out by the NFP and the AA
- Duplication of the review of calls for projects, which according to feedback provided in some countries (Estonia, Greece, Latvia) is carried out by three legal departments, in the PO, in the NFP and in the FMO

Interviewees did not identify any particular gaps in the institutional system of the Grants. They assessed that overall, the roles in Grants framework at project, programme and country level as well at the overarching FMO level generally complement each other. All the necessary roles and tasks are fulfilled and there are no particular gaps in the framework. Instead, in their feedback they rather focused on specific requirements or other elements, which hider their everyday management of the Grants, which was summarised above.

4.3.2. Proportionality, risk-based approach, fraud

Evaluation question 9.

Are the EEA and Norway Grants' management and control structure and procedures (FMC/FMO, national entities, programme operators): (EQ9)

a) proportionate in terms of checks and balances across programme and country portfolio of different sizes?

b) adequately risk-based in terms of not applying the same level of control to all programmes and projects?

c) sufficient/adequate to manage the risk of fraud? What other systems could be more efficient while avoiding duplication of efforts?

Answer to the evaluation question

Proportionality

The feedback from stakeholders on the proportionality of the Grants MCS is mixed. When asked about this, most of them refer to the EU Funds, and assess the level of burden of checks and balances in both funding scheme as being similar, while the EU's financial allocation is much higher, and therefore the Grants requirements are considered disproportionate.

In some countries, in particular in Greece and Latvia, the requirements were clearly considered disproportionate. Feedback highlighted the lengthy decision-making processes and the FMO being heavily involved in daily implementation (which some went so far as to call micro-management). This may, however, be also linked to capacity issues or complexities of the national legislation.

Disproportionality was to a lesser extent mentioned in Slovakia, where respondents particularly pointed out to disproportionate audit requirements. The feedback in Poland was somewhat mixed and the disproportionality was less

evident in Malta. In Estonia, disproportionality was highlighted at country-level, but not so much at programme level. Some interviewees also highlighted positive elements, such as the greater flexibility built into the Grants than in the EU Funds, with the FMO open to discussing and negotiating a number of procedures. Nevertheless, there is a common perception of disproportionality of the Grants MCS, when compared to the allocation. This relates to issues with reporting and other requirements listed above in Box 1 and Box 2 in Section 4.2.1.

Risk-based approaches

There is limited evidence of a risk-based approaches being used in the Grants at country and programme levels. There also seems to be a lack of understanding of risk assessment as a formal process.

We found no examples of formalised risk-based approaches, used to adjust the level of control of programmes and projects based on their level of risk in the selected case study country or selected programmes.

In fact, some interviewees argued that a risk-based approach would not be feasible in their case as they are obliged to have the same rules for all, and thus to use the use the same verification, monitoring or audit requirements for all project promoters (in case of POs) or all programmes (in the case of NFPs). However, this seems to be a lack of understanding of risk-based approach as a formal process, preceded by a formal risk assessment. Use of risk-based approaches can be a common rule as it is in some EU programmes, thus providing a basis for proportionate and tailored monitoring, verification or audit. Some interviewees agreed that a risk-based approach could be needed, for instance to adjust the audit measures to the level of irregularities in programmes.

Managing risk of fraud

There is a common perception of Grants stakeholders in the Beneficiary States that sufficient and adequate measures exist in their countries to avoid the risk of fraud. Yet, in most cases, this is due to national measures and processes, rather than the Grants MCS. There is a general perception, that the Irregularities Authority is not necessary in the institutional setup and that the threshold for reporting irregularities could be increased and also apply to management costs.

Interviewees highlighted certain measures adopted in their countries to avoid the risk of fraud, such as anti-fraud practices (Estonia), existence of an independent anti-fraud and anticorruption authority (Greece), the four-eye principle and whistleblowing law (Latvia) or a national anti-fraud framework (Malta). Some interviewees' assessment was that the Regulations themselves do not include detailed expectations with regard to anti-corruption and anti-fraud issues, while it is the national framework, also used for the EU funds, which can ensure avoidance of the risk of fraud.

As regards the process of reporting irregularities, stakeholders' feedback was somewhat mixed. Some interviewees considered the process to be burdensome, but some (Poland) assessed it as clear and efficient. There is a general feeling that the IA as a separate authority is not necessary and that this role could be successfully fulfilled by the NFP or the CA, but nonetheless this was not considered a significant issue in most countries except Estonia. Some interviewers suggested increasing the current reporting threshold for irregularities in projects of EU 2 000 (in the EU funds it is EUR 10 000), and many suggested also applying that threshold to irregularities related to management costs.

4.3.3.   Potential simplification measures

Evaluation question 10.

Which of the checks, verifications, and reporting requirements could be simplified, merged, or left out without creating an increased risk of misuse of funds and still respecting the principles of accountability, economy, efficiency, and effectiveness? (EQ10)

Answer to the evaluation question

The stakeholders provided a number of ideas for simplification measures, which would address the burden created by the Grants MCS on their work. In many cases, they were related to the issues identified as hindering the implementation of programmes, listed in section 3.2.1 above.

Below, we provide a list of suggested simplification measures. It is worth noting though that stakeholders' feedback was not homogeneous. In many cases, different respondents highlighted different elements and focused on resolving different issues. None of the recommendation was mentioned by all of them. Nevertheless, we provide a synthesise to

focusing on recommendations mentioned by the highest number of interviewees or addressing issues mentioned by most of them.

- **Payment forecasts**. Nearly all interviewees considered forecasting likely payments one of the most problematic elements of the Grants MCS. Ideas for simplification and limiting the burden created by them were mainly related to limiting the frequency of forecasts, for instance from 4 to 2 times a year

- **Expenditure reporting**. Many interviewees highlighted that reporting expenditures is burdensome. One of the ideas to simplify the entire system was to adopt the EU's simplified-cost-option approach, which uses predefined methods based on process, outputs or results, rather than invoices.

- **Simplify reporting requirements**. There is a general demand for simplification of reporting requirements, but the suggestions for simplifications provided by stakeholders were rather generic. They suggested simplifying report templates, limiting the number of indicators to be reported on, and adjusting financial reporting periods to calendar years.

- **Formal amendments to programmes**. Several interviewees suggested including fewer elements in documents agreed at political level (MoU, Programme Agreement, Concept Notes) to allow greater flexibility in amendments in the programmes during implementation, including transferring costs between different calls for projects

- **Bilateral Fund**. There were suggestions of discontinuing the Bilateral Fund completely and merging the funds with regular programme funding. Other interviewees suggested at least merging the reporting on the Bilateral Fund with overall reporting. There was also a suggestion that the Bilateral Funds could be managed by the FMO directly – similarly to the Active Citizens Fund.

- **Audit**. Interviewees often assessed audits as being excessive. They suggested at least coordinating the audit plans of different entities (POs, NFPs, AAs, FMO) to avoid cumulations of audits in short time frame at programme level. It was also suggested that lower sample numbers for audit be adopted to avoid creating a burden on too many beneficiaries, but interviewees did not provide specific numbers.

- **Irregularities**. There were some suggestions that the IA could be successfully integrated into the NFP, CA or AA. Other recommendations in this area included increasing the threshold of irregularities, which do not need to be reported (from EUR 2 000 to EUR 10 000) and applying this threshold to management costs as well.

- **Cooperation and communication with the FMO**. There were comments from some stakeholders about the role of the FMO. Although the FMO's role and support is often valued, several interviewees also suggested that the FMO should be less involved in everyday implementation of the programmes and adopt a more targeted approach to focuses on the results and deliverables rather than the processes. This particularly applies to open calls where the FMO's review is believed to slow down the processes significantly. It was recommended that the FMO rely on the POs to develop them and on the NFPs to verify them.

5. Key findings from the benchmarking exercise

5.1. Simplifications in the management and control of the EU Cohesion Policy

In the current funding period 2021-2027 (multiannual financial perspective), the European Commission introduced a number of simplification measures into EU Cohesion Policy. These were intended to reduce the administrative burden for beneficiaries of EU support, including through simpler ways to claim payments using simplified cost options. To facilitate synergies, the new rules cover seven EU Funds implemented in partnership with Member States in *shared management*. The Commission also aimed to strengthen the risk-based approach in the programmes and applying lighter controls for programmes with a good track record, with an increased reliance on national systems and the extension of the "single audit" principle to avoid duplication of checks.[11]

In the study, we analysed which of the simplification measures could be applicable to the framework of the Grants and asked the Grants NFPs to assess which changes they would welcome in Grants MCS. This analysis contributed to the development of recommendations from this study.

In the table below, we present the list of simplification measures in Cohesion Policy, which we consider the most relevant in the context of Grants MCS.

Table 2. Simplification measures in the EU Cohesion Policy relevant for the Grants

Simplification measure	Details
Designation procedure discontinued	Institutional systems at country level will largely be rolled over to the next programming period. AA no longer needs to issue an opinion on MCS system if it remains the same. In case of changes in country system, early-stage audit during implementation replaces verification of the system before implementation.
Replacement of Certifying Authority by an accounting function	There is no need to designate a separate Certifying Authority. Instead, there will be an accounting function, which may be carried out by the Managing Authority (equivalent of the NFPs in the Grants context). The accounting function will not certify/verify beneficiaries' costs.
Introducing 'simplified cost options'	Instead of reimbursing actual expenditure based on invoices, payment will increasingly be based on flat-rate reimbursement, unit costs or lump sums. Simplified cost options will be compulsory in smaller programmes.
Payment no longer cost-linked / moving away from invoices	Focus changes from costs, reimbursement and checks linked to individual projects to tracking deliverables and results for the projects, a group of projects or schemes.
Technical assistance reimbursed in line with implementation progress	The Technical Assistance reimbursement will be based on a flat rate, not real costs. Reimbursement of programme costs from the EC will be topped up by a flat rate of 2.5% to cover technical assistance.
Simplified audit arrangements	Audit strategies will be risk-based, and on-the-spot audit will be limited. Auditors are obliged to use the Managing Authority's documentation first. EC only audits AA (if certain conditions are met).
Incorporation of the single audit principle	There will be maximum one audit in a project below EUR 400 000. Other projects can be audited maximum once a year.
Introduction of risk-based cost verification	Verification of costs will be risk-based, instead of covering 100% of operations. Managing Authority will carry out formal risk-assessment of programmes.

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[11] https://ec.europa.eu/regional_policy/en/information/publications/factsheets/2018/simplification-handbook-80-simplification-measures-in-cohesion-policy-2021-2027

Simplification measure	Details
Real time reporting instead of annual reports	Annual reports and progress reports will be discontinued. Instead, dialogue between EC and MSs will focus on resolving issues. Reporting will be based on real-time data provided in Open Data Platform.
Exception from reporting of irregularities below EUR 10,000	No distinction is made between programme-level irregularities and project-level ones as regards a threshold for reporting, which will be increased to EUR 10 000.

Source: interview with DG REGIO; *Simplification Handbook, 80 simplification measures in cohesion policy 2021-2027[12]*; TT analysis.

5.2. Applicability of the changes to the EEA and Norway Grants

The list of the most relevant simplification measures was sent to the NFPs of the six case study countries in the email questionnaire. We asked them to assess the extent to which they would welcome a similar change being adopted by the EEA and Norway Grants. They provided the answers on 1-5 scale with 1 being the most negative and 5 the most positive. 3 was a neutral answer.[13] The average results of the ratings provided by the NFPs are presented below.

Figure 9. Qualitative results of the benchmarking email questionnaire (n=5)
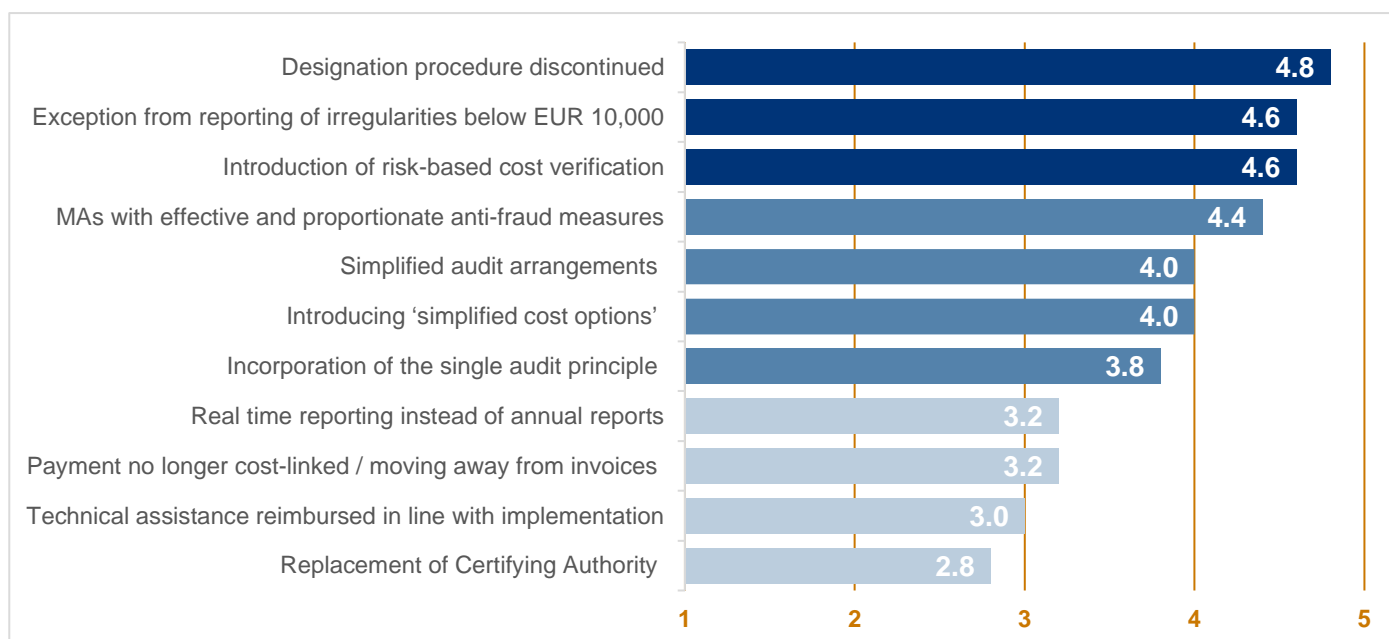
In general, the findings confirmed most of the findings from other parts of the study. The average results suggest that none of the items were assessed clearly negatively. They all received a positive assessment or an assessment close to neutral (3). Only one was below neutral answer: Replacement of Certifying Authority (2.8).

Three items were fully supported with average rating above 4.5:

- **Designation procedure discontinued** (which according to the table above also included simplification of MCS adoption)

- **Introduction of risk-based cost verification**

- **Exception from reporting of irregularities below EUR 10,000** (which was also mentioned several times in in interviews)

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[12] https://ec.europa.eu/regional_policy/sources/docgener/factsheet/new_cp/simplification_handbook_en.pdf
[13] Please rate on a scale of 1 to 5 to what extent you would welcome a similar change being adopted by the EEA and Norway Grants:
- 1 – not at all
- 2 – rather not
- 3 – neutral
- 4 – rather yes
- 5 – very much
- 0 – irrelevant

Another four changes were also generally supported with average close to 4.0 (rather yes):

- **Introducing 'simplified cost options'**
- **Simplified audit arrangements**
- **Incorporation of the single audit principle**
- **MAs with effective and proportionate anti-fraud measures and procedures in place**

And finally, there were four items with an average score close to a neutral answer (3.0):

- **Real time reporting instead of annual reports**. In the open comments, most NFPs highlighted that they would welcome a reduction of the burden related to reporting requirements, but do not yet have sufficient information to assess this particular measure and how it will work in practice. We conclude that this is perhaps something that cannot be easily introduced into the Grants, but it does highlight the general burden related to preparing progress reports and confirms that these requirements should be only imposed if justified by Donors' needs.

- **Payment no longer cost-linked / moving away from invoices**. In this case, two NFPs selected 4, but one selected 2, which decreased the average, and this particular NFP provided the following comment: *we answered "rather not" because in our opinion this approach should be well designed before introducing it and should be possible not mandatory depending on the specificity of project*. We therefore conclude that this measure is still valid and worth considering.

- **Technical assistance reimbursed in line with implementation**. The feedback related to this measure was mixed. Three NFPs selected a neutral rating of 3, but two selected extreme ratings, 1 and 5. In the open comments, NFPs in the smaller Beneficiary States emphasised that the issue is not how Technical Assistance (TA) is reported, but that it is generally insufficient, which was already mentioned in this report. The reporting of the TA is in this case perhaps not a priority.

- **Replacement of Certifying Authority**. In this case, the average rating was close to neutral, but opinions were, again mixed: between 1 and 5. In the open comments, two NFPs emphasised that their answer would depend on the details and whether it would actually reduce the burden. As this issue was not mentioned in the interviews, this change is perhaps not a priority in the context of the Grants. Continuity of the existing system would be perhaps more beneficial for the efficiency of the system.

5.3. Capacity building measures

The email questionnaire sent to the NFPs also covered **Roadmaps for Administrative Capacity Building in EU Regional Policy** prepared by the European Commission and a practical toolkit for preparing Roadmaps. Roadmaps are a new instrument introduced for 2021-2027. EU Member States' administrations managing EU funds can develop roadmaps as an element of a strategic approach to increase administrative capacities in Cohesion Policy management. The practical tool covers analysis of the state of play, identification of weaknesses and assessment how to address them.[14] Based on an interview with a representative of the European Commission, DG REGIO, we assessed that this tool could be used as an inspiration in the Grants. The feedback suggested that it is a relatively simple and flexible tool, already used by several Member States, including some of the case study countries, in particular Latvia and Slovakia (Greece and Poland were partly involved in piloting it). However, the NFPs responses do not confirm the usefulness of this framework in the context of the Grants.

Two of four NFPs provided their responses on a 1-5 scale (Greece, Latvia, Malta and Poland); the Estonian NFP replied that it does not use the toolkit and therefore cannot comment, and Slovakia did not provide an answer. Of the respondent NFPs two assessed the roadmaps framework as 'not very useful' (rate of 2), one provided a neutral answer (rate of 3) and only one as 'rather useful' (rate of 4; average rate: 2.75). Similar feedback was provided to a question as to whether this framework would be transferable to the Grants context: 'not really' – 2 NFPs, neutral – 1 NFP, 'yes probably' – 1 NFP (average of 2.75). We therefore conclude that the EU Cohesion Policy experiences in this area are not directly transferable to the Grants and perhaps more flexible and 'lighter' capacity building measures, such as training or guidance, are more relevant in the context of the Grants.

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[14] https://ec.europa.eu/regional_policy/en/policy/how/improving-investment/roadmap_admin/

6.   Conclusions and recommendations

6.1.   Conclusions

Overarching conclusion

1)   The processes involved in developing and adopting the MCS descriptions are producing a satisfactory result overall. Beneficiary States recognise in principle that the Donor States and the FMO have legitimate grounds for requiring them to be accountable via a management and control system. However, there are instances where the reasons for FMO requirements and their involvement in implementation, and the FMO's expectations, are not well understood, suggesting scope for more dialogue rather than regulatory changes.

2)   At all levels, there are areas in the MCS where simplification or streamlining appear to be possible without upsetting the balance between the legitimate interests of the Donors and the autonomy of the Beneficiary States. They are at the margins and do not bring into question the validity of the approach but could limit the burden of the MCS and enhance its efficiency for stakeholders.

3)   There are examples of national requirements going beyond what is required by the Regulations, but the margin for manoeuvre to address these is small, as they fit within a wider administrative culture. The Grant rules are not significant enough at country level to cause concern or drive change, relative to the importance of national regulation or practices and processes developed primarily for EU Funds.

MCS adoption and review

4)   There is scope to simplify the process of preparing and adopting the MCS descriptions to address perceptions that adoption at country level is burdensome and significantly delays the start of implementation of programmes. FMO review of these documents is very time-consuming and does not follow a clear timeline. It duplicates the national-level audit of the MCS and can undermine the feeling of trust between the FMO and state authorities. There is scope to explore other ways of improving the quality of MCS and adopt risk-based approach (see below).

5)   Programme-level MCS, which are not reviewed by the FMO, do not cause significant issues. However, it is questionable if these documents are actually needed in all cases. In many cases, programme MCS duplicate the detailed manuals that POs develop to meet national requirements, which means that these descriptions add limited value. There is an argument for allowing more flexibility for POs to develop MCS descriptions on voluntary basis.

The MCS requirements

6)   The level of burden of checks and balances in the EEA and Norway Grants MCS is similar to that for EU Funds. But the difference in the level of financial allocation of both funding schemes creates a perception that the burden is disproportionate without that necessarily being the case given the Grants' legitimate interest in accountability.

7)   Some of the reporting requirements case burden for stakeholders in the Beneficiary States and create a generally burdensome framework, which makes the distribution of resources suboptimal. Although the tools are most likely indispensable from the Donors' perspective, there are examples of good practices in the EU funding schemes, which could potentially address some of these issues and enhance the efficiency of Grant implementation in the Beneficiary States.

8)   To a large extent, the Beneficiary States use the same systems, procedures, and processes for managing the Grants, as they use for managing the EU Funds. When national administrations use the same or similar procedures for different funds, this reduces the level of administrative burden, which is felt more acutely in smaller administrations. There are examples of simplification measures adopted in the EU Funds, which could also be relevant for the Grants, and help simplify some reporting and other requirements and limit the burden on Beneficiary State stakeholders without undermining the level of financial accountability.

Risk-based approaches

9) Risk-based approaches are not used in the management of the Grants in the Beneficiary States and are not well understood by the stakeholders. Yet, a risk-based approach is often considered a good practice in funding schemes. This type of approach typically includes a formal risk assessment process, definition of the risk level of programmes/projects and the adjustment of control mechanisms to suit the risk level of a particular programme and/or beneficiary. These mechanisms are not widely used in the Grants, although they offer efficiency gains. Stakeholders with control responsibilities can focus their monitoring, verification, and audit efforts on high-risk programmes/projects, while allowing more flexibility and simpler control requirements to low-risk ones. There is scope for more extensive use of risk-based approaches in the Grants MCS, but some Beneficiary State stakeholders would need to support to be able to adopt these methods (see Recommendations).

6.2.   Recommendations

MCS adoption and validation

1) **We recommend** that the process of adoption of the MCS at country level be amended in one of two ways in order to reduce the current administrative burden on the Beneficiary States and the FMO and allow earlier start of the programmes:

    a) **Option A.** Pass responsibility for verification of the MCS from the FMO to the AA in full, subject to sufficient prior trainings for the AAs to ensure common approach and high quality of each review.

    b) **Other B.** Apply a risk-based approach to review of the MCS that inter alia takes into account the extent of any changes in the institutional structure (if any) from one funding period to the next and the effectiveness of the system in the current funding period.

    In both options, the FMO could consider carrying out system audit on implementation during, for instance, the first two years, instead of verification ex-ante. This would ensure a certain level of control, without impacting the pace of implementation of programmes.

    Whether these options are adopted or not, we recommend that the FMO consider providing more training and presentations of its expectations of the MCS descriptions.

2) At programme level, **we recommend** adopting a similar continuity principle, i.e. abandon the need to prepare the MCS description in the event of rollover to the new funding period without significant changes in the institutional setup. The FMO could also consider keeping more flexibility for programmes by offering options for compliance with the Regulations either through a development of MCS description or by only requiring POs to sign a compliance declaration and carrying out a system audit by the Audit Authority at implementation, when considered necessary.

The MCS requirements

3) **We recommend** reconsidering if all existing reporting requirements reflect the needs of the Donor States and the FMO and if all reporting obligations are therefore justified, and in particular consider whether the following would be feasible:

    a) Reduce the number of payment forecasts from four times per year to twice a year.

    b) Simplify the structure of and shorten the Strategic Report, so that it focuses on providing updated information on programme implementation (Section 4 of the current template) and issues for the annual meeting (Section 9).

    c) Revise the structure of Interim Financial Reports to avoid overlap with Annual Programme Reports (reporting indicators) and reduce the number of indicators on which reporting is required.

    d) Extend the deadline for the Annual Programme Report from mid-February to mid-March.

    e) Review whether current practice in review of calls for projects is aligned with the intent of the Regulations.

    In relation to this, **we recommend** reconsidering if the Technical Assistance provision to smaller Beneficiary States should be increased.

4) **We recommend** that simplified cost options be used for reporting expenditures, as much as possible. We assume that expenditure reporting, based on invoices, could be kept in some programmes or projects (for instance high-risk ones when a formal risk assessment has been adopted). But as a general rule, reimbursement of costs should no longer be based on actual costs incurred (invoices) but on flat-rate reimbursement depending on deliverables, unit costs or lump sums.

5) **We recommend** adopting measures, which limit the burdens related to audit, including:

    a) Better coordination of audits between stakeholders, which could for instance take a form of annual country coordination meetings for the FMO and country specific NFP, AA and POs.

b) Consider adopting the single audit principle, so that no project promoter is audited more than once during project implementation (with exceptions, for instance for projects above a certain value threshold or pre-defined projects).

Risk-based approach

6) **We recommend** that the FMO develop and promote a risk-based approach to monitoring, verification and audit, and provide trainings to NFPs and POs on how to adopt it and use at country and programme level. Establishing a risk register of potential risks, which can affect programmes implementation, is only the first step. We understand risk-based approach as a formal process going further, i.e. leading to establishing risk level of each project or programme, based on a predefined scale, and adjusting monitoring, verification and audit measures to that level. This approach is often considered good practice in grant-making and is, for instance, used by the European Commission. This process would need to be carried out separately for the programme and project-levels risk assessment.

7) Given the limited stakeholders' experience with the risk-based presented above, **we also recommend** that the FMO develop risk measurement tools and methodology, which could be adjusted to national context, to facilitate this process.