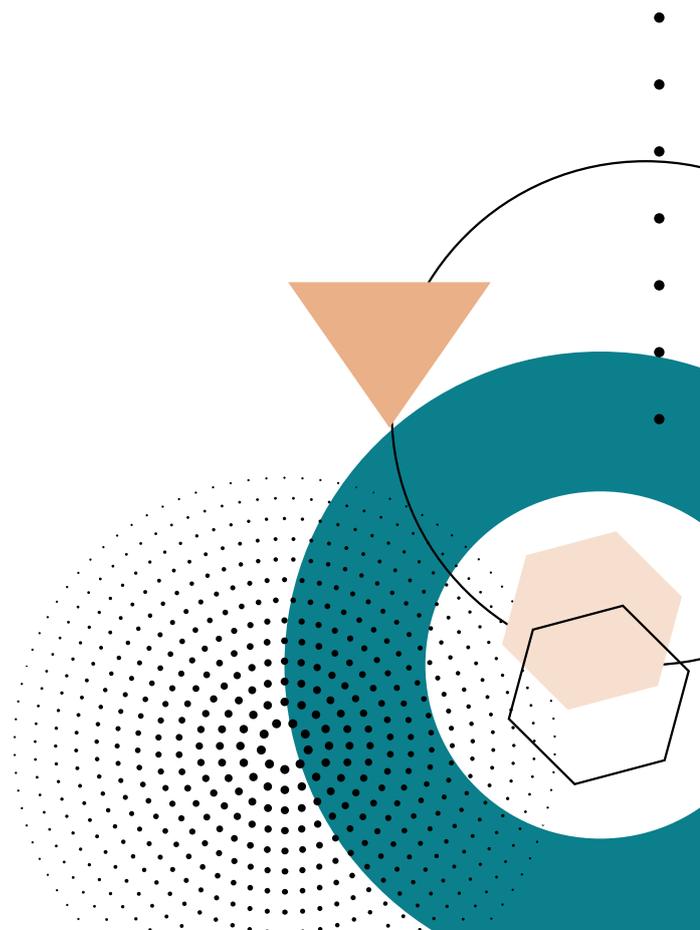


THE ANALYSIS OF ADMINISTRATIVE BURDEN OF APPLICANTS DURING EU PROJECTS IMPLEMENTATION

– THE EXPERIENCE OF CIVIL SOCIETY ORGANISATIONS



IMPRESSUM

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ISBN: 978-953-7960-38-4

Zagreb, December 2022

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Co-funded by the Europe for the Citizens programme of the European Union

The European Commission's support for the production of this publication does not constitute an endorsement of its content, which reflects the views of the author and Gong, and the Commission cannot be held responsible for any further use that may be made of the information contained therein.

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SUMMARY

In the context of transparent and purposeful spending of public funds, the European funds beneficiaries take great care in responsibly fulfilling their contractual obligations as well as any other obligations that such use of public funds implies. It is important to emphasise that many of the civil society organisations have been beneficiaries of the EU funds ever since 2007 when the IPA pre-accession funds became available. Furthermore, in order for the project financed organisations to remain sustainable, they learned to combine various sources of financing for their project financing, from international and European funds, institutions, trusts and foundations to corporative and private sources, including various Croatian institutions or embassies. However, taking into consideration public reactions and appeals to the responsible institutions in the last few years in relation to the administrative burden organisations are faced with in the process of the implementation of their projects within the European Social Fund, one needs to question whether such exaggeration in certain demands is really necessary and just how efficient is the management of the system responsible for the ESF.

The 2014-2020 Efficient Human Resources Operational Programme includes a chapter on reducing the administrative burden for beneficiaries. Based on the experiences of European projects implementation in previous periods, risk areas have been recognised not only for beneficiaries but for public administration bodies that form the part of the institutional framework involved in the implementation of European structural and investment funds in Croatia. The chapter gives clear recommendations for simplifying procedures and measures needed for lessening the burden of beneficiaries, highlighting simultaneously the need to ensure continued education of beneficiaries and upgrade of control and management system.

Based on the analysis of CSOs' experiences with the administrative burden within the European Social Fund (ESF)¹, GONG published an online exhibition that portrays in a humorous manner, a day in the life of project implementation that gives a glimpse into the administrative aspect and intense communication organisations publicly complained about. The problems described in the Operational Programme chapter on reducing the administrative burden are still present at the end of 2014-2020 financial period, regardless of the recommendations given. The recommendations include improvements within the project application and selection procedure; introduction of simplified cost options, further development and upgrade of ICT and investment into the network of public relations officers, continued education of beneficiaries, etc.

Furthermore, during 2020 and 2021, the organisations sent several memos to responsible ministries, issued appeals and gave constructive criticism through their representatives at sessions of many PA bodies.

¹ European Social Fund (ESF) is the European Union fund run under joint management of Member States and the European Union. In Croatia, the European structural and investment funds fall under the responsibility of Ministry of Regional Development and European Funds that also acts as ESF Coordination Body, while the Ministry of Labour, Pension System and Social Policy acts as its Governance Body. Other bodies such as various ministries and Croatian Government's Office for NGOs, act as Level 1 Intermediary Bodies, while National Foundation for Civil Society Development or Croatian Employment Service act as Level 2 Intermediary Bodies.

The organisations with 20 and more years of experience in successfully combining different sources of public financing for the implementation of their projects have also met with a new level of issues brought about by the ESF. Although accustomed to detailed reporting, they were taken aback by the problems encountered when filling out monthly timesheets, writing purchase order plans or simply submitting quarterly reports. They were provoked to the extent that they spoke openly about administrative violence, appealing to the responsible bodies to upgrade the system.

Considering how the organisations are still complaining about the problems that should have already been addressed by the recommendations, we can only conclude that there was insufficient progress despite the good foundation.

Programmes financed by the European taxpayers' funds that have noble social goals in their implementation suffer from inherited faults of the Croatian public system – unclear and complicated administration that often burdens project implementation. The lack of equal partnership with intermediary bodies and the lack of constructive dialogue and readiness to act together in dealing with administrative hurdles, are just some of the complaints expressed by the beneficiaries.

As the beneficiaries are left to deal with legal and financial uncertainty on their own, the bodies within the system simply continue using the resources for the preparation and design of programme documents for yet another programme period.

Introduction

The complexity of the system of public financing and management of EU funds is understandable considering the number of requests the system needs to process simultaneously. As the funds filled by Croatian and European taxpayers is managed through the system, the expectations from the public and the beneficiaries are high. By not creating mechanisms for continuous improvement of the system, we risk failing these expectations. Beneficiaries therefore take very seriously the task of understanding complex procedures, rereading application guidelines, and examining contractual obligations. However, considering the number of complaints related to the administrative burden, the question is whether it is justified to impose such complex demands and how efficient really is the management of the system if the requests set forth by the intermediary bodies to the beneficiaries diminish the possibility of improving the quality of implementation and reporting. The beneficiaries claimed that many of the requests received by the level 2 intermediary bodies were completely missed or were reduced to mere fulfilment of side tasks and answering questions that did not need to be answered in the first place. The range of complaints stemmed from simple objections to legal disputes and were sent to all available addresses.

Many organisations found it simply crushing that their participation and activity in the work of various bodies, commissions or committees with the public/government administration did not manage to yield any results in improving the system within and solving some of the innately persistent problems.

To put things into context, we will list the steps in the process of receiving and using the EU funds from the perspective of an applicant, i.e., potential beneficiary, thus highlighting some of the problems tackled by putting a special focus on the administrative burden.

The time needed from project application to finalisation can easily double and deviate from the standard 24-month project duration. Starting with publishing a tender, submitting the project application, passing the administrative and quality check, announcing the results, and signing the contract, i.e., starting with the implementation followed by reporting (from first to the last report), receiving comments to the final report, and final approval of the Request for Reimbursement (RfR) can easily prolong into six months after project finalisation. The process is neither smooth nor obstacle-free. From the perspective of the beneficiaries, project application and implementation often include the following:

- Following up on tenders
- Designing project application
- Collecting necessary application documentation
- Going through financial viability check within the quality assessment
- Waiting for a decision on financing and contract signing
- Implementation and reporting
- Project finalisation

About the calls for proposals

The problems start at the very beginning due to frequent deviations from the indicative calendar for publishing calls which are sometimes published even years later, or are simply never published. This makes it very difficult for organisations to plan and design projects that meet the needs of the community or to use the potential of the synergy resulting from the implementation of different projects within the programmes. Furthermore, ensuring the availability of project experts in such situations is extremely difficult as most experts find such high financial uncertainty unappealing, which in turn poses even a greater challenge for CSOs to maintain the continuity and the quality of their work. The financial stability of organisations financed directly from the projects is thus directly at risk. On the other hand, the donors are always looking at the stability of the organisation and their work continuity to be sure their funds will go to reliable partners. And this is what the ESF implementation in Croatia is putting at risk.

Another issue worth mentioning here is a type of call for proposals that the applicants colloquially refer to as “the fastest finger”. Regardless of the quality assessment, what counts in these types of calls is who submitted the application first as the points received for quality fall into second place if the minimum was met. Of course, the high minimum benchmark ensures the quality, and the intermediary bodies justify it by claiming such procedures make contracting easier. However, such calls for proposals are reminiscent of Hunger Games in which potential beneficiaries, instead of developing partnerships, are cutting the queues in front of the Croatian Post office in order to be the first to send their project proposal for assessment. If for an individual call the funds are ensured, or additional funds are found to be at disposal, after a certain number of application does not pass the first set of conditions, the call will be re-published. Even though the first contracts are signed within six months of publishing the call, by re-publishing it, the contract-signing time is prolonged so that the applicants that came in last sign the contract as late as one year after the call has been published. In practice, the contracting phase can take up to a year, which equals it with temporary open calls with fixed submission deadline and minimal duration of 60 days that leaves the applicants with enough time to design a quality project application.

Collecting necessary documentation for project application

Project documentation is often changed, sometimes up to five or six times making it necessary to monitor the website with the notifications continually while preparing the project proposal. It is quite possible that a new version of the Guidelines for applicants was published or that there were changes to some form that the applicant already prepared, had it signed and sealed from the partner, and now needs to start anew. Comprehensive application forms or all-encompassing documentation are to be expected, but frequent changes in tender documentation confuse the applicants and contribute to the complexity of the application process. Lack of clarity in guidelines or documentation just generate additional issues and make the already complex application process that much more difficult.

Cost eligibility check within project quality assessment

Calls for proposals that are sometimes published years later than indicated in the official calendar are additionally prolonged with the cost eligibility check which can sometimes last for months.

The cost eligibility check, colloquially dubbed *budget cleaning*, once initiated can leave the beneficiaries with only three days to answer up to 250 comments per project sent by the Intermediary Bodies of Level 2 (IB2). This highly intensive period that lasts a few “rounds” is followed by a new waiting game. Besides being under an increased stress, the applicants have an additional burden of not knowing how long after the budget cleaning they will have to wait before they sign the contract and start with the implementation. In practice, this part takes the longest as it ends with contract signing and marks the start of the implementation. Some of the CSOs experienced the unpleasant consequences of publishing job postings in their organisations after having passed the check, only to lose the selected candidates when after eight months from the budget cleaning the contract was still not signed and the official project implementation thus significantly delayed. The tender in question was Strengthening Social Entrepreneurs Phase I.

IMPLEMENTATION AND REPORTING

Pre-financing payments

A special type of problems for CSOs are pre-financing payments, i.e., advance payments for project implementation. The advance can be spent on only one purchase of ICT equipment needed within certain call for proposals. As the approval time for RfRs takes too long, the beneficiaries do not receive timely payments to continue their work, as is foreseen by the contract. This poses a special problem with non-for-profit organisations who finance most of their activities exclusively through their projects. According to the contract, the beneficiary is to ensure the funds for project implementation. However, according to the same contract, the Intermediary Bodies are to ensure the pre-financing payments and inspect the RfRs, including corrections and comments, in 45 days deadline. The beneficiary needs to get an approval within 45 days and payment per RfR in 30 days. Most of the project financed organisations in their financial flow plan to cover the final instalment of the project that is paid only after the final financial report is approved, i.e., several months after the funds had been spent, report written and approval for it pending. Late approvals of RfRs or a decrease in pre-financing from 40 to 20% makes it necessary for organisations to find the way to finance not only the start of project implementation, but the entire implementation up until its finalisation. This therefore undermines the model of financing that is supposed to bring reassurance with contract signing but that in reality does not correspond to project implementation business flow. By not respecting the contractual obligations aimed at protecting the beneficiary, the government is putting at risk the sustainability of the organisations by exposing them to far greater risks than it is possible for them to handle.

The system for filling out requests for reimbursements (RfR)

Beneficiaries implementing ESF projects in which the National Foundation for Civil Society for Development acts as the IB2, use an online system to submit their RfRs. Organisations using the system point to lack of some functionalities that would enable simplified entry and data manipulation. Data entry for each cost is quite detailed. For example, to enter the salary data for one person in one element, one needs to fill out at least 24 different fields. That is, you need to provide the following data: item name, project element, financial category, cost type, organisation, organisation PIN, employee, employee PIN, salary statement, number, date, amount, description, timesheet, date, description, bank statement, number, date, description, JOPPD form (a unique form of taxes, local taxes and contributions), number, date, description. And sometimes, that is not all. There are work contracts, annexes, and numerous other documents requiring at least five items to be filled out to make a system entry. This is then repeated for every person, each element, every month. If there are five people employed working on five elements, in order to report three months, the procedure will have to be repeated 75 times. If the project duration is 18 months, the procedure will be repeated a dazzling 450 times. And this is just for the purpose of recording salaries. All data present in the project application form also need to be entered in the system as the application form A is not connected to the system and data from it cannot be uploaded. Only recently has the possibility been introduced to copy the expense

and only amend certain items, which speeds up the process. However, when copying the expenditure for e.g., person A for January, the proof of payment is not copied in, meaning that after updating everything, it is necessary to once again enter manually the bank statement and the JOPPD form with accompanying number, date, and description. In view of current technological advances, this seems like an obsolete task. The categories that need to be filled when submitting reports are equally very detailed, but the comments are often directed at further justifications of almost every expenditure item of already purposefully spent funds in line with the budget previously approved and proof of activity performed for which the costs were generated.

Exemptions under Public Procurement Act (PPA)

When financing improvement or continuation of a development of a certain programme, the administrative demands can sometimes hinder exactly the thing to be financed. CSOs that are not subjects to PPA fall under the procurement procedures as non-subjects in order to maintain transparency in contracting procedure. Nonetheless, it is precisely in contracting that the guidelines for non-subjects lack clarity. It is not clear exactly what type of documentation needs to be submitted, which conditions are to be met in order to follow through with the procurement procedure, while on the other hand, too much is left for interpretation for Level 2 Intermediary Bodies without familiarising beneficiaries in a timely manner with that same interpretations. A large number of comments beneficiaries during implementation are the result of precisely these unclarified issues.

Organisations that received the funds to strengthen their implementing programmes were not able to have direct procurement of individual programmes designed by authors for which they received the funding. They received the funds for implementing a programme by the author, whose further services they were unable to procure but had to invite the associate to participate in the procurement process. Following repeated appeals from CSOs to supervising bodies, new Rules on Procurement for Non-Subjects of Public Procurement Act with more flexible criteria were adopted in 2021.

Nevertheless, the intermediary bodies again failed to give clear interpretation of parts of the document, and were unable to instruct beneficiaries on how to continue with project implementation, despite the intensive communication between them.

In addition to the administrative burden, the beneficiaries further complained about the implementation workshops organised by IB2 within 30 days of contract signing where no real examples were provided to help beneficiaries in the implementation. It was only in the RfR submission comments that beneficiaries realised what they were missing. Frequent complaints were also made to inexperienced associates in IB2 who need several explanations of an issue or repeated mails which makes the implementation process thus more difficult or simply adds to the already existing administrative burden.

Reporting rhythm

When submitting the first quarterly report during which RfRs re submitted, beneficiaries find it difficult to process the high frequency of comments and requests for elaborations to already fragmented reporting creating the impression beneficiaries just deal with reports. This consequently leads to beneficiaries having less time to dedicate to the implementation. Namely, when the three-month reporting process stretches to the following quarter, the beneficiaries struggle to determine their starting position when preparing the second quarterly report. That is, they reach the point where they are uncertain of whether they should start with the version initially sent for approval or the version still being discussed with the intermediary body and not approved yet. This is additionally complicated by the fact that the comments made for the first quarterly report are still left unresolved by the time the second quarterly report is to be underway. The reporting confusion that thus ensues creates unnecessary duplication of tasks followed by more elaborations and intensified correspondence via the reporting system. The advantage of this type of reporting is that the quarterly reports are smaller and are easier to write only the last three months of activities are covered. Less documentation is easier and quicker to collect and should be, in theory, easier to process. However, this is not the case in practice. Such fragmented reporting is exhausting to beneficiaries, especially considering that a certain cost for which no comment was received might eventually be rejected in the final report, but was overlooked the first time in due to the time and energy spent elaborating a different cost. The high turnover of IB2 reporting and monitoring associates creates an additional burden as each associate needs to be updated anew on the activities implemented by the beneficiary.

The appeal process

The beneficiaries are aware that if they do not submit the report within the stipulated 15 days, a reprimand is issued. On the contrary, there are many examples of beneficiaries waiting for RfRs to be approved considerably over the agreed deadline, and with no one to complain too.

The relationship of contractual parties for ESF projects implementation is regulated by the Grant Agreement signed between the Beneficiary and Intermediary Bodies of Level 1 and 2.

The ratio of justifications and elaborations pertaining to implementation and costs during the submission process of Requests for Reimbursements reflects the inequality that is further exacerbated if the beneficiary is forced to seek legal remedy. There were cases where beneficiaries initiated legal action, as a last resort solution, only to be told by the Administrative Court that such legal remedy falls outside of their jurisdiction. The administrative court thus reached a decision that such case is not an administrative dispute, but a civil one. The relationship between the parties is therefore regulated by the Obligations Act, whereby the lawsuit falls under the jurisdiction of the Municipal Court.

The mere complexity of the appeal system within the OP Efficient Human Resources creates a feeling of inaptness with beneficiaries. Adding to that the lack of clarity as to the legal nature of the Grant Agreement, i.e., whether it is an administrative or civil dispute, the beneficiaries are felt exposed to a level of legal uncertainty as well.

EXAMPLES

Everything we listed so far is something the beneficiaries jointly labelled “administrative violence”. This has come to mean the unjustified or unclear demands set forth by the intermediary bodies with short deadlines that are to be met in an environment of constant doubt that something is not done well enough or clear enough. This all takes away the time needed to dedicate to the actual project implementation, the partners, and project users. To fully experience what beneficiaries are experiencing while implementing ESF projects, it is necessary to combine the conditions preceding the call with those that follow during implementation and reporting.

For that purpose, we will list below several real-life examples.

Examples of comments given by the Intermediary Body of Level 2 (IB2) and responses by the Beneficiary.

Example 1

IB2: 1 Please provide additional explanation of project activity description: “Communication with the designer concerning material design” listed in the activity report.

2 Please provide additional explanation of project activity description: “web preparation” listed in the activity report.

BENEFICIARY: 1 “Communication with the designer concerning material design” refers to communication with XY designer concerning design and content creation (design idea, comments, plan of material design, communication with the company that will implement the design).

2 A website was created within the project (existing budget item XY). The “web preparation” implies design analysis and comments, analysis of test web, preparation plan for web content.

After extensively detailed reporting lasting several days, the beneficiaries are busy providing responses to various comments. This is an additional task for beneficiaries that from the perspective of project activities description in the project application form is simply not justified, rational or needed. The example above describes a situation the beneficiaries frequently complained about. They are put in a situation where they need to explain some basic concepts or business terminology to IB2 associates that leads to absurdity and just adds to already growing feelings of frustration.

Thus, the comment given above remains unclear on at least two levels. Why does the time spent on planning and communication with the designer need to be justified? These are complex tasks and the rules of the trade here include briefing and advising. It is difficult to imagine having a visual identity for a project without meetings on project presentation, agreements on various elements such as colours or even proper instructions to the designer on the EU visibility requirements. The response to the comment finally accepted was identical to the reported item, with only minimum addition. This leaves an impression that the comment was made just for the sake of it.

Furthermore, after going through two rounds of receiving such comments after each quarterly RfR and then finally being rejected or getting just partial reimbursement for an item that was not even commented on, the feelings of frustrations are huge. The information that something was not right comes crashing down at the end.

Example 2

IB2: The stated costs (salaries, AN) are conditionally accepted as the same was not presented in the Re-allocation Table and no justified reason was given as to why there was a percentage increase. The reason given that the percentage increase happened because this was not done in PE 1 is not justified.

BENEFICIARY: The fact that this was not done in PE 1 resulted in more work on other elements as there was a need to work more in other elements. The table was not changed as in the cumulative it remains the same and based on 24 months the staff will have a total of work on each element as per initial plan.

In this example, the IB2 conditionally accepted the salaries citing more work was recorded on one element and less on the other, with no prior justification submitted. As the IB2 failed to comment on this during the review, the beneficiary did not expect the conditional acceptance of the costs. Furthermore, the IB2 asked for the re-allocation of costs in the table which was unnecessary as the cost description defined clearly the work will be done in average on certain percentage.

Example 3

IB2: When reviewing the delivered documentation, we found that the work cost for Madame XY for the month of April in 2021 in the PE 3 project element was HRK 4,281.87 split in the following order: HRK 4,150.00 total gross I + HRK 343.56 transport costs for 21 working days (360 monthly transport cost/22 total working days = 16.36*21 working days) + HRK 400.00 meals cost = 4,893.56*87.5% = HRK 4,281.87. Please clarify or explain if different.

Beneficiary: Transport costs are not counted per number of arrivals to the place of work, but as a lump sum. According to the Rule Book on Income Tax, the exempted parts of payments to workers are “transport compensations to and from the place of work with local public transport – amounting to real expenditure in line with the price of the monthly transport ticket”. The price of a monthly ticket in the City of Zagreb is HRK 360.00 and is paid as a lump sum, regardless of the number of days a person is coming to the place of work. For example, a person who has not worked at the place of work for 5 days in a month would still buy a monthly transport ticket. Persons coming to the place of work by car spend much more than the designated HRK 360 a month, but are entitled to only this amount, and are thus only partly refunded. The calculation you are proposing does not have any accounting or legal basis, especially when official holidays are calculated as non-working days!

The comments can therefore be simply incorrect due to the lack of accounting or financial experience, as the example given here clearly shows.

CONCLUSION

The combination of issues described in the introduction that precede the application process, and continue all through to implementation and monitoring, are additionally complicated by unclear administrative instructions, unknown rules exerted by the intermediary bodies in the management and control system, and exhausting correspondence culminating in difficult project implementation circumstances and increased uncertainty of working conditions.

Considering how all requests for clarifications, demands and complex processes are sent forward by the intermediary bodies' employees, it is clear that they too are faced with a huge workload coupled with the responsibility to correctly manage the funds grants. Nevertheless, if the resources are intensively invested in a foregone task, the whole cost-benefit analysis of such a system needs to be questioned, especially considering the amount of resources both the beneficiaries and the bodies themselves invest in its maintenance.

Despite the CSOs having their representatives in the intermediary bodies, as is the case with the 2014-2020 Monitoring Committee that was to monitor the implementation and progress of the ESF's Efficient Human Resources 2014-2020 programme, the CSOs are still complaining about overloads, frustrations and administrative violence experienced. It is therefore clear that more needs to be done to have that kind of openness and readiness within the system. There needs to be a joint conscious effort to push for fundamental changes that would make both the cooperation and the intermediary bodies with CSO representatives fully functional.

It is of utmost importance to upgrade the system capacities for the new 2021-2027 ESF+ Financial Framework to avoid breaking contractual obligations with beneficiaries and become more involved in an open dialogue. There needs to be an understanding that the beneficiaries are partners in achieving aims on the level of the programme and ensure continuous education that will decrease the administrative burden in the implementation.