

Practice Name:

Blue Book Manual

Country:

Spain

Practice category:

- Cooperation mechanisms
- Guidance and template models



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Fraud risk(s) countered

- Conflict of interest
- Avoidance or manipulation of public procurement procedures
- Double funding
- Collusion
- Manipulation of project costs

Context and objective(s)

The Blue Book is a comprehensive manual of procedures developed by the Managing Authority (MA) together with the Certifying Authority (CA) for European Regional Development Funds (ERDF) in Spain. It describes all the functions and procedures relating to the management and control system for ERDF, including anti-fraud measures for Operational Programmes (OPs).

It was developed following *Article 124 of the Common Provisions Regulation (CPR) (Regulation (EU) No 1303/2013)* which requires the MA and CA to implement certain measures relating to their internal control environment and risk management activities. The implementation of these measures and ensuring their fulfilment in case of delegation to intermediary bodies (IBs) is a prerequisite for the designation of the MA and CA.

ERDF management is highly decentralised in Spain. A large part of the MA's functions is delegated to IBs which are composed of central government bodies (e.g. ministries and public specialised agencies), regional authorities (e.g. the Government of Valencia) and other regional entities. There are also "light IBs" - local administrations with a limited scope of activities.

The main tasks of IBs are, among others, the selection of operations, *ex ante* verification of expenditure, submission of applications for payment to the MA, information and communication tasks related to ERDF funding, or the relationship with beneficiaries. Given the multitude of IBs and the different operations performed by them, it is key to have a common approach and terminology. This is ensured by the Blue Book Manual. The MA considered this as particularly important, especially when the fraud-prevention legislation at a national level is scattered in a multiplicity of regulations. The fact that IBs function with a high degree of autonomy and are thus difficult to monitor and control is another reason for creating the overview of functions and procedures provided by the Blue Book.



Description of the practice

Before the publication of the CPR in 2013, drafts of the new regulation were already available. The MA and CA started analysing the regulatory requirements and compared them with the procedures already in place relating to the previous programming period 2007-2013. Once the CPR was published, they finalised their analysis based on the official CPR and developed the Blue Book manual in close coordination with the Audit Authority (AA). The MA and CA had to ensure that they correctly understood the concept and methodology of fraud risk assessment (FRA) devised by the European Commission (EC), and that the topics to be covered in the Blue Book included all those suggested by the EC.

The manual gathered all the procedures relating to the management of ERDF in Spain based on the experience of the MA and CA with the management, control and certification of ESI funds. Experts were consulted for specific new topics, for instance relating to fraud risks and risk management.

The Blue Book was finalised in April 2016 and resulted in the designation of the MA and CA. Further adaptations regarding legal or procedural changes at EU or national level are also done by the MA and CA. In total, the manual has approximately 250 pages.

In order to ensure a harmonious application of the procedures by all IBs, to ensure the quality of all IBs' control and management systems and to supervise the tasks delegated to them, the MA adopted a two-step approach which consists of:

- Firstly, requesting that each IB prepare its own Blue Book describing the procedures for the control and management system specific to its context.
- Secondly, requiring all IBs to tailor the methodology and mitigating measures proposed by the EC to their specific situation and document the anti-fraud measures put in place.

The MA provided IBs with a copy of its Blue Book, a template thereof, the EC's FRA template and its guidance note. The MA put in place an assistance and communication plan for IBs, including training sessions and workshops, in order to provide IBs with a place to share their feedback and concerns and ask questions related to the tasks assigned to them. 25 training sessions were made available to IBs to show them the structure and methodology used by the MA to create its Blue Book and how it can become the basis of their work.

As part of the training sessions, the MA gave presentations to IBs, providing an overview of the legal framework for the 2014-2020 programming period, and specifically the legal basis for drafting a management and control system and for conducting an FRA. These training sessions were very practical as they also aimed to explain in more detail the structure of the FRA template and the steps to fill it in, using screenshots of the tool. A detailed explanation was also provided for the methodology of assessing the impact and likelihood of risks before and after putting in place the control measures. The list of mitigating measures prepared by the EC was also discussed, and practical exercises to tailor those measures to the specific context of IBs were explored.

Following these training sessions, experimental trials were conducted with 6 IBs over a period of 3 months. The idea was to make sure the assistance and communication campaign was successful, and that IBs had enough knowledge and confidence to start working on both the individual Blue Books and the FRA. The trial was an iterative process, during which the MA, CA, Audit Authority (AA) were regularly reviewing the work of IBs and providing comments and suggestions for improvement. The last part of the experimental trial involved the six IBs implementing the procedures described in their Blue Books, as well as the customised anti-fraud measures they had devised.

Once the six experimental trials were deemed satisfactory by the MA, the same approach was rolled out with all remaining IBs under the supervision of the MA controlling department.

Ten experienced MA staff members were responsible for supervising the work of IBs and ensuring that it was in line with the Blue Book prepared by the MA. An experienced staff member of the AA and the Spanish AFCOS were also involved in the process, mainly reviewing and verifying the compliance of the procedures proposed by IBs, and of the tailored anti-fraud measures proposed. The AA and AFCOS continued to provide advice and suggestions.

The IB Blue Books and their implementation was assessed by independent experts. A positive evaluation outcome was the prerequisite for designating the IB. Audits are performed at least, every two years and in the case of major findings, the IB cannot continue to operate until those findings have been remediated.

The individual IBs' Blue Books supplement the one produced by the MA and CA. Together, they provide an overview at OP level of all the management and control system procedures for the ERDF OPs. They also summarise the legal framework for MA and IBs. This refers to the obligation to put in place anti-fraud measures that are based on the common tools and implement mitigating measures defined in the EC guidelines - both adapted to the Spanish context.

Unique features

The Blue Book manual is a unique practice in Europe in terms of centralisation and formalisation of knowledge and procedures at the national level. Its implementation was based on the requirements of the CPR and a prerequisite for designation ensuring the cooperation of all involved parties.

Outcomes and results

The process of creating a Blue Book and having an FRA conducted by each IB is considered a success. All IBs followed the Blue Book template and successfully prepared their Blue Books and FRA. This allows the use of a common terminology and a homogenous application of procedures, for instance regarding the selection of programs and anti-fraud measures.

Feedback provided by IBs during the implementation process was positive as most of them found that having all the procedures clearly explained was key to the sound financial management of the OPs. Another tangible benefit was that staff members now have a clear vision of their role and responsibilities, which is crucial for the fight against fraud and corruption.

The authorities report also increased efficiency in the procedures implemented, thus allowing staff members that perform administrative and on-the-spot verifications to be more cautious and attentive to fraud and corruption risks.

Furthermore, this cooperation seems to result in positive benefits to the reputation of the MA and the IBs, there appears to be fewer errors and irregularities and fewer complaints from beneficiaries or applicants.

Finally, this process was a win-win for the MA and IBs as they both stated that they had learnt a lot about their work and each other and had improved their knowledge and capacity for preventing and detecting fraud and corruption.

Key success factors

- Development of a “master” Blue Book by the MA and CA based on the CPR
- Pilot with six IBs instead of involving all IBs from the start
- Support for the IBs in the form of trainings and presentations with practical examples for the development of their Blue Books
- Consultation of experts for specific topics
- Continuous exchange with AA and AFCOS during the elaboration of the Blue Book

- Elaboration and implementation of the Blue Book prerequisite for the designation of the MA, CA and IBs
- Regular audits regarding the implementation of the Blue Books
- Regular trainings for the IBs provided by the MA about the management of ESI funds with a specific module about anti-fraud measures
- Responsibility for legal and procedural changes lies with the MA who ensure the uptake of those changes by the MA

Challenges encountered & lessons learned

The Authorities highlight that the work on ensuring consistency between Blue Manuals of different bodies is very **time consuming**. Yet, this was the only way to allow all parties to learn about fraud prevention and improve their capacities.

Another takeaway is that, when using EC templates, **it is crucial to adapt** them to the MA's or IB's specific aspects to ensure that staff members apply and use them properly.

Regarding FRA, **extensive explanations were needed** for IBs to fully understand the concept and methodology.

The involvement of all parties participating in programming, managing and controlling the OPs, and especially the involvement of top management, is key to ensure consensus when defining and implementing the most effective and proportionate anti-fraud measures used.

Potential for the transferability

The Spanish Blue Book Manuals cannot easily be applied to other countries as they reflect the specific administrative setup of the country. Specific topics for an operation or concrete procedure might be used as a template.

As a concept, the Blue Book could however **be replicated by other countries**. This would require gathering all procedures relating to the ERDF management in the specific country context. It is seen as most beneficial for countries with high decentralisation of functions and /or with many different IBs.

The experience from Spain indicates that putting together the Blue Book manual **requires time and coordination of multiple stakeholders**. If several Blue Books exist for different authorities, ensuring consistency is an additional task. The example of Spain shows that the development should be done in stages, such as piloting the manual within a selection of IBs before the full-fledged roll out.