

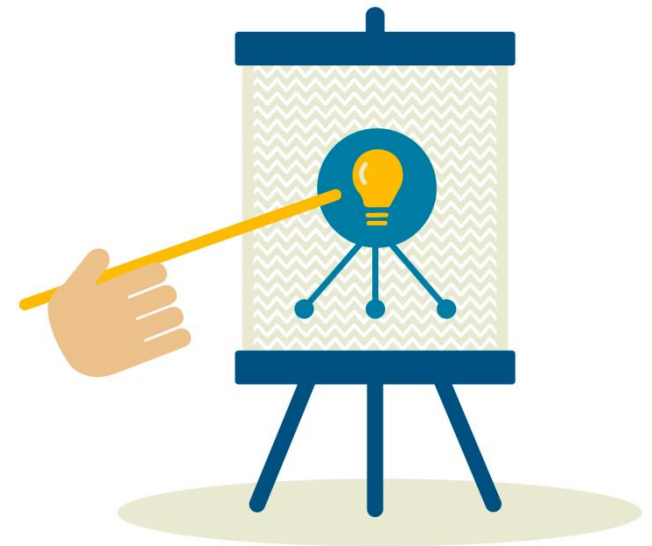
# SCOs: The new black

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Regional Network – South West Europe

01 October 2019 | Lisbon, Portugal

**Katja Ecke, Interact**

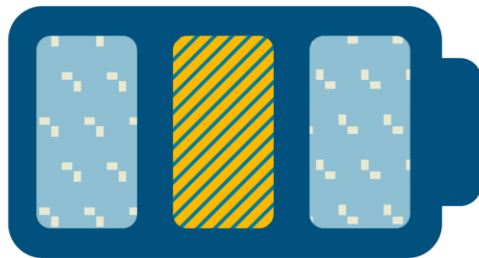


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6. Feedback from Tallinn event

# 1. The basics

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# WHY DO SCOs?

## Advantages of SCOs:

- Lifting the administrative burden (programme & projects: flexibility for beneficiaries, easier reporting, reduced bureaucracy)
- Shift to result/output orientation
- Less time consuming
- Reducing the risk of errors (lower error rate)
- Facilitate audit and control



# Standpoint - definition

- Eligible costs are **calculated** according to a predefined method based on outputs, results or other costs.
- **The tracing of every euro of co-financed expenditure to individual supporting documents is no longer required.**



# Forms of reimbursement in Interreg

**Real costs**

## **Simplified cost options**

Standard scale of unit cost

Lump sum

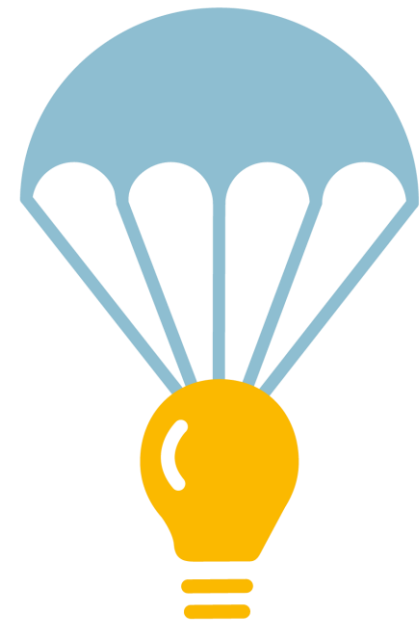
Flat rate

# Omnibus Regulation 2018/1046

A different mind-set is needed!

- SCOs support a result oriented approach, they are designed to no longer trace every Euro
- Balance between trust and control
- Clarity
- Communication

→ Increased possibility for using SCOs: flat rate, SSUC, lump sums



# Legal references

## **CPR 1303/2013 (after Omnibus, applicable from 02 August 2018\*)**

- Article 67: Forms of grants and repayable assistance
- Article 68a: Staff costs concerning grants and repayable assistance
- Article 68b: Flat-rate financing for costs other than staff costs

## **ETC, 1299/2013**

- Article 19: Staff costs

\* Former articles in CPR: 48-51



# OFF-THE-SHELF SCOs

## Indirect costs

- Up to 15% of eligible direct staff costs of an operation, flat rate [Art. 68(b) CPR]
- Up to 25% of eligible direct costs of an operation, flat rate\*

*\*with underlying calculation method, or applicable in other programmes/funds*

## Staff costs

- Up to 20% of direct costs of an operation\*\*, flat rate [Art. 68a(1) CPR]
- 1720h for hourly rate calculation

*\*\*unless operation includes contracts above the EU thresholds for works or supply or service*

## All costs, other than staff costs

- Up to 40% of eligible direct staff costs of an operation, flat rate [Art. 68b(1) CPR]

## Post 2020 (proposed Regulation)

- Like now, but
  - Up to 7% flat rate for admin costs on all other direct costs
  - Up to 20% flat rate for staff costs on all other direct costs  
 only in CPR (attention: public procurement limitation for services, supply and works)  
 added to ETC, without limitations (attention! wording not yet final)
  - Up to 15% flat rate for travel & accommodation on staff costs (attention! wording not yet final)
  - SCO mandatory for projects <200,000€ (CPR, 48(1))
  - SCO mandatory for SPF projects if ERDF <100,000€

# Calculation methods for SCOs – 4 basic criteria

- **Ex-ante:** before signing the contract.
- **Fair:** reasonable, based on reality, not excessive nor extreme; duly justified and documented.
- **Equitable:** not favouring some beneficiaries or types of operations over others.
- **Verifiable:** based on documentary evidence which can be verified (audit trail).

## Ex-ante assessment of SCOs

- How to ensure that the programme SCO is in line with the requirement?
- Seek ex-ante approval by AA (COM does no longer do ex-ante assessment)
  
- Problem
  - AAs hesitant to do ex-ante assessment/consultation process (conflict of interest, no resources, no guarantee that COM accepts) → MAs take risk to face problem during regular audit or do take up SCOs

# Ex-ante assessment of SCOs

- Way forward, proposed by COM:
  - No more consultation process, only ex-ante assessment by AA (to be discussed at Homologues Meeting)
  - COM (audit unit) might accompany the national auditors in their audit work to assess methodology designed by MA

# Golden rules for implementation

- One for all
- Focus on what can be achieved – activities, outputs, results
- Minimise the risk for the beneficiary (and the programme)
  - intermediate milestones

# STEP 1 - A simplified cost model **can** start with examination of ...

- ... **type of operations/ activities**
  - operations: RD&I, technical assistance projects, small projects, feasibility studies, construction/ reconstruction, business development/ support to SMEs ...
  - activities: travelling/ accommodation/ publicity/ project management/ personnel/ facility operation/ equipment costs ...
  
- ... **costs categories**
  - administration costs, travel & accommodation, staff costs, external expertise and services ...
  
- ... **type of project partner**
  - SME
  - Associations, NGOs
  - Technical experts, universities



## STEP 2 – Which SCOs are relevant?

... linking SCOPE and possible SCOs (**type of SCOs/  
cost option**):

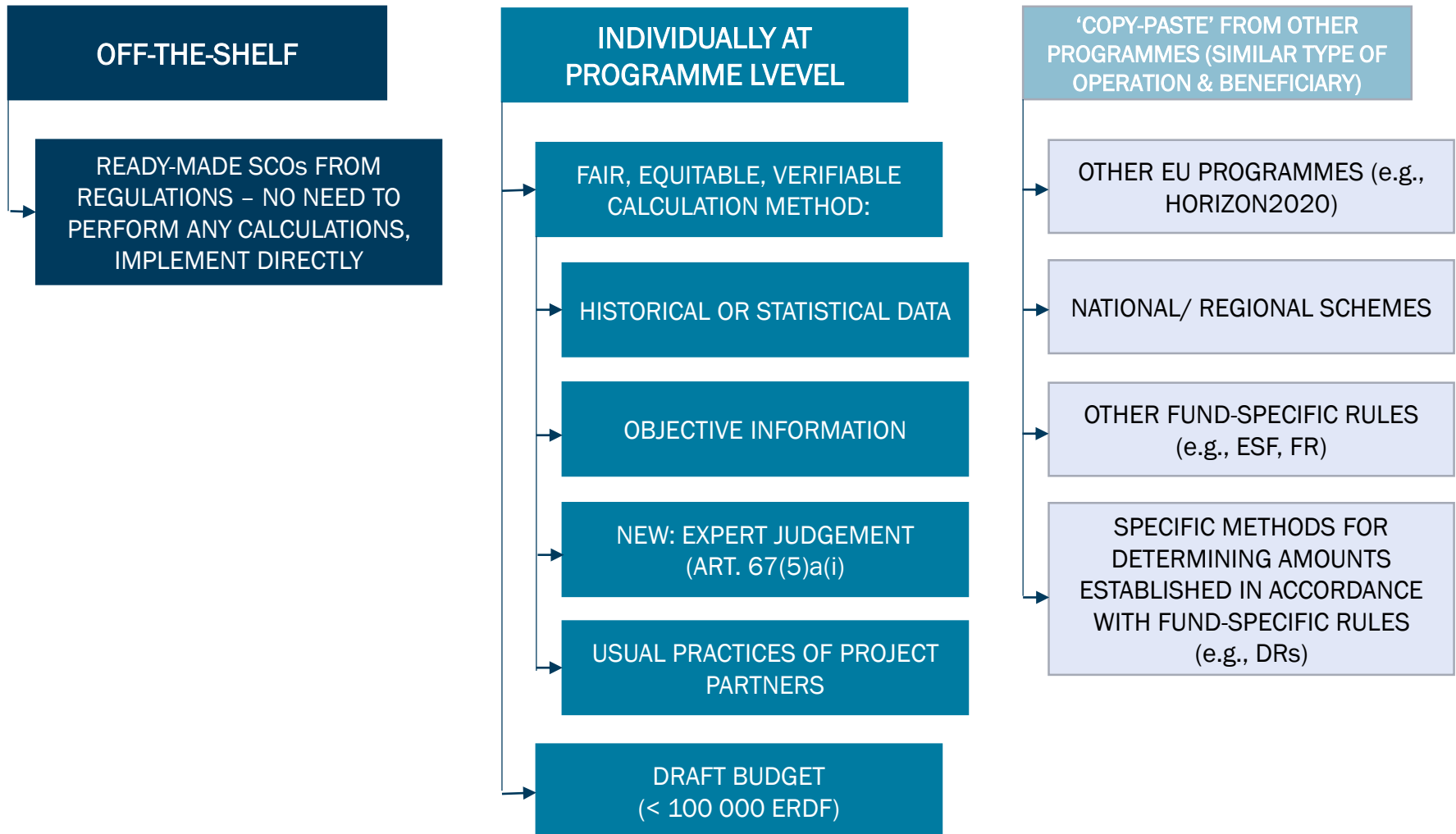
- flat rate financing
- standard scale of unit costs
- lump sums





# STEP 3 – Calculation methodology

- Ex-ante: established in advanced, at the latest before the signature of the subsidy contract!



# What is meant by *fair, equitable and verifiable*?

	Description*	Examples
<b>Fair</b>	<ul style="list-style-type: none"> <li>reasonable,</li> <li>based on reality,</li> <li>not excessive or extreme,</li> <li>no inflation of costs</li> </ul>	<ul style="list-style-type: none"> <li>not possible: increase from an average of 2€ to 7€, without clear proof justifying increase,</li> <li>geography can be taken into consideration: remote location might have higher costs than central location</li> </ul>
<b>Equitable</b>	<ul style="list-style-type: none"> <li>equal treatment for projects and project partners,</li> <li>differences in treatment must be based on objective elements</li> </ul>	<ul style="list-style-type: none"> <li>differentiated unit cost possible, evidenced by price differences in different MS,</li> <li>not possible: lower unit cost applied because project scored less in project assessment</li> </ul>
<b>Verifiable</b>	<ul style="list-style-type: none"> <li>documentary evidence, incl. description of calculation method, data source,</li> <li>assessment of relevance and quality of data used</li> </ul>	<ul style="list-style-type: none"> <li>explanatory fiche for ex-ante assessment by AA,</li> <li>decision note for MC approval,</li> <li>updated MCS description</li> <li>data file</li> </ul>

\* Based on EC's Guidance on Simplified Cost Options (SCOs), chapter 5, 2014

# What is meant by *statistical data* & *other objective information*?

	Description*	Examples
<b>Statistical data</b>	<ul style="list-style-type: none"> <li>objective and verifiable data from documented sources,</li> <li>can also mean historic and/or verified data from projects at programme level</li> </ul>	<ul style="list-style-type: none"> <li>surveys,</li> <li>market research,</li> <li>draft budgets (needs to be checked as reasonable and acceptable – value for money),</li> <li>statistical evidence like Eurostat, ESPON</li> </ul>
<b>Other objective information</b>		

\* Based on EC's Guidance on Simplified Cost Options (SCOs), chapter 5, 2014

# What is meant by *expert judgement*?

Not yet covered by EC guidance!

	Definitions*	Examples
<b>Expert judgement</b>	<ul style="list-style-type: none"> <li>• a process of evaluation, performed by carefully selected <u>group of persons</u> that are experts in particular subject or activity,</li> <li>• the <u>compatibility</u> of expert opinions must be evaluated in order to ensure the reliability and objectivity of research results,</li> <li>• <u>the opinion of 1 expert might be questioned as expert judgement</u>,</li> <li>• early stage involvement is crucial,</li> <li>• conflict of interest needs to be addressed explicitly</li> </ul>	<ul style="list-style-type: none"> <li>• technical experts, consultants</li> <li>• research has shown that the accuracy of the judgement does not increase significantly if more than 7 experts are involved</li> </ul>

\* Based on presentation 'Expert judgement' by Girleviciene & Kvietkauskiene (methodology of Libby & Blashfield on the selection of expert number). Check also [www.projectmanagement.com](http://www.projectmanagement.com)

# What is meant by *verified historic data* and *usual practices of project partners*?

	Description*	Examples
<b>Verified historic data of project partners</b>	<ul style="list-style-type: none"> <li>• based on past accounting data (requires acceptable analytical accounting system),</li> <li>• data has to cover at least 3 years,</li> <li>• might require certification,</li> <li>• reference amount to be applied (average costs over the reference period)</li> </ul>	<ul style="list-style-type: none"> <li>• interesting for partners involved in many projects</li> <li>• could cover specific costs categories (e.g., administration costs or unit costs for staff)</li> </ul>
<b>Usual accounting practices of project partners</b>	<ul style="list-style-type: none"> <li>• based on data from day-to-day accounting practices (independent from EU funds) in compliance with national accounting rules (requires acceptable analytical accounting system),</li> <li>• SCO based on aggregated group of items, no minimum requirement for time span of data,</li> <li>• might require certification</li> </ul>	

\* Based on EC's Guidance on Simplified Cost Options (SCOs), chapter 5, 2014

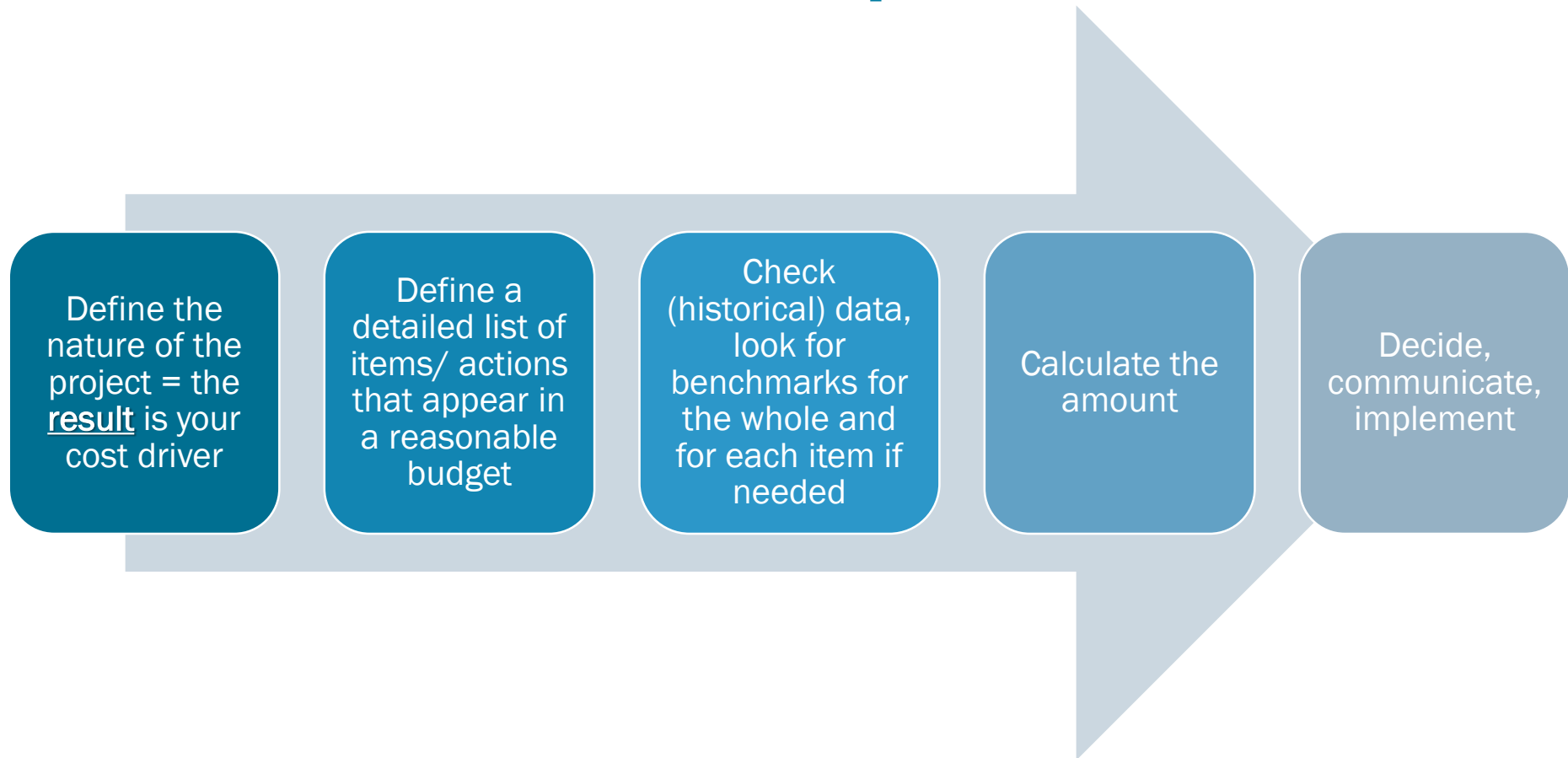
# What is meant by *similar type of operation & beneficiary*\* \*\*?

	Description*	Examples
<b>Similar type of operation &amp; beneficiary</b>	<ul style="list-style-type: none"> <li>• applicable for SCOs used by other EU programmes/ funds or at MS level,</li> <li>• SCOs discontinued from one period to another excluded,</li> <li>• <b>case-by-case application</b></li> </ul>	<ul style="list-style-type: none"> <li>• H2020</li> <li>• ESF</li> <li>• Daily rates in MS</li> </ul>

\* Based on EC's Guidance on Simplified Cost Options (SCOs), chapter 5, 2014

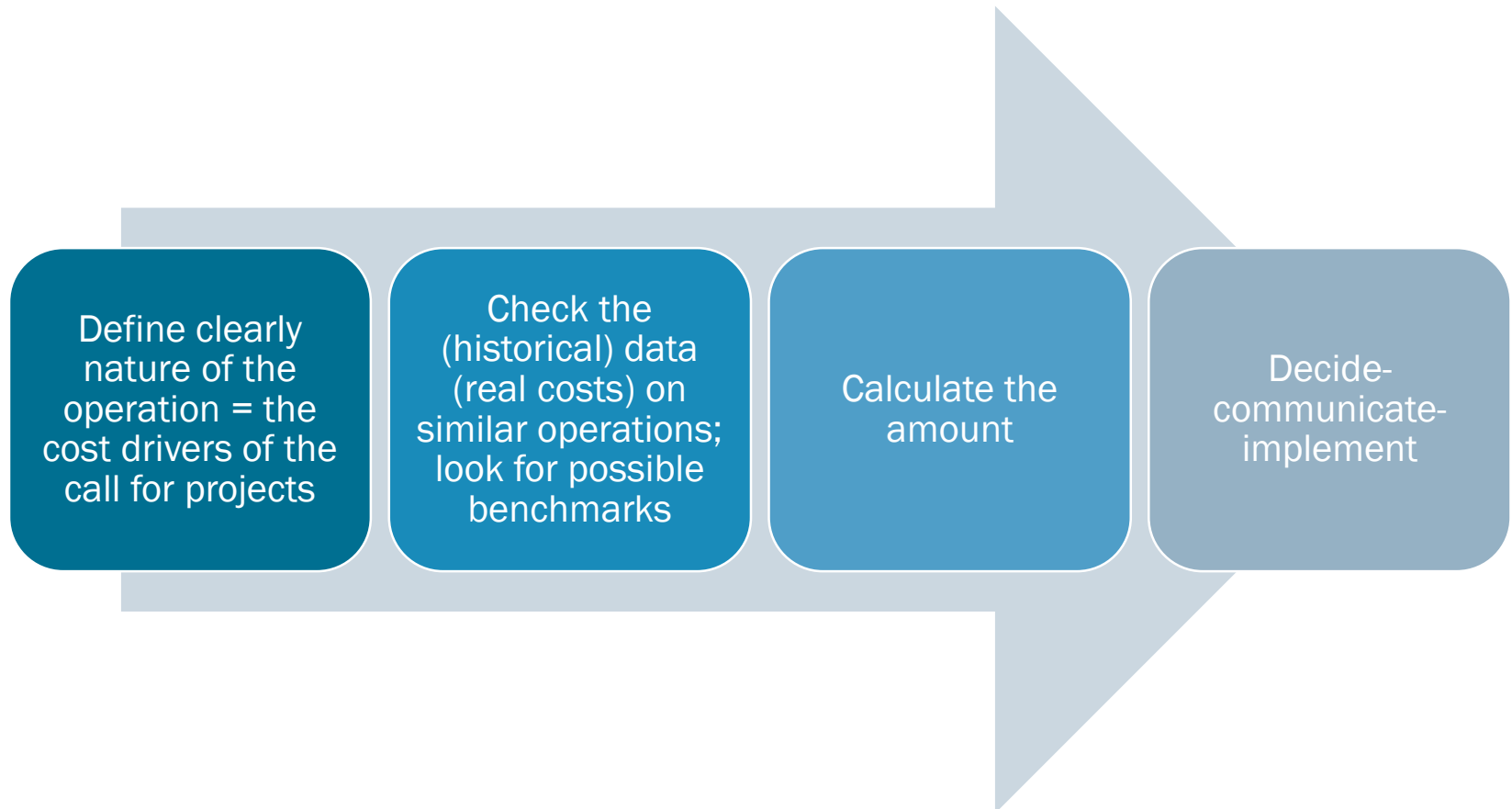
\*\* proposed to limit similarities to type of operation only for post2020

## ... how to calculate lump sum?



- No upper thresholds of lump sums (Omnibus regulation)
- Lump sums not to be used if results cannot be defined as realistic and achievable single unit

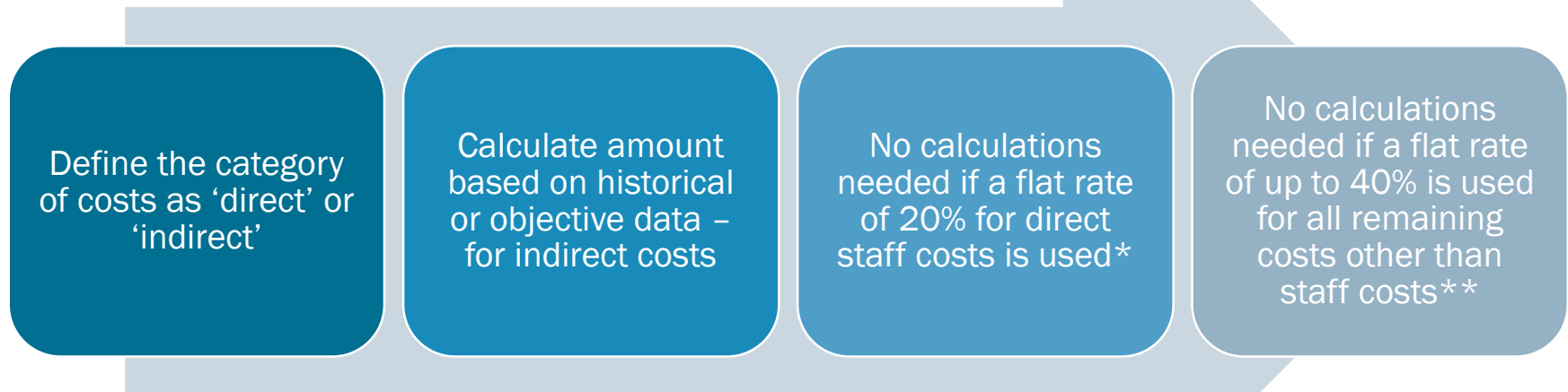
# ... how to calculate **unit cost**?



- All types of costs can be covered
- For part of or a whole action/ operation (per hour/ service/ milestone/ result)
- A clear and direct link between unit costs and outputs
- Data reliability and availability



# ... how to calculate flat rate?



- Direct costs – costs which are directly related to an individual activity, where the link with this activity can be demonstrated.
- Indirect costs - usually costs which are not or cannot be connected directly to an individual activity of the entity in question.
- \*Provided the direct costs do not include public works contracts above threshold in the public procurement directive (Art. 68a(1) CPR).
- \*\*Cannot be applied to staff costs calculated on the basis of flat rate.

# Draft budget – calculation method!

Conditions to establish the draft budget:

- Items within the draft budget must be eligible according to eligibility rules
- Expected outcome and indicators of the project are defined, as well as main tasks to achieve the defined outcome, milestones, timeline of activities
- Budget lines for each task are defined with detailed information (activity, cost category, unit, rate, total)
- Methodology used to measure and calculate the cost of each budget line + justification of amounts, numbers, prices (offers made, expert judgement, etc.)



\*Draft budget on a **case-by-case basis** and agreed ex-ante by the MA when public support does not exceed or equal to EUR 100 000 (Art. 67(5)(a)(bis))

# STEP 4 - Management verification – what needs to be verified in SCOs

- Soundness of the calculation method established – MA responsibility
- Correct application of the SCO
- Verification of the ‘basis costs’ for flat rates
- Verification of the outputs for unit cost/ lump sum – also criteria for payments (hours worked, participants trained, qualification achieved, milestones reached)
- Quality of outputs



# STEP 5 – Documentation

## Points to be considered

- Ex-ante assessment by AA
- Approval by monitoring committee
- Update of programme documents
  - Management and control system
  - Programme manual
  - Subsidy contract, project partnership agreement

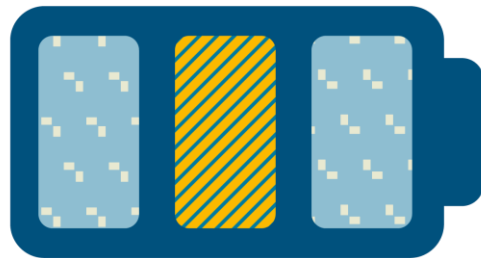
## Documentation

- Intention & application
- Methodology, link to regulation
- Calculation
- Data used, incl. source of data

## 2. Programme examples

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Insert subtitle if necessary



## **2. Programme examples.**

- MED programme
- DE-NL programme
- Interreg Europe programme
- IT-Albania-Montenegro programme

## **2. Programme examples.**

MED programme

## **2. Programme examples.**

DE-NL programme - Unit costs for staff



## SCO FOR STAFF COSTS HOW?

### *Results*

Staff with management Functions Performance Group 1	11.3%	€ 68 / h	(9.350 € / month)
Academic staff Performance Group 2	27.4%	€ 51 / h	(7.012 € / month)
„Higher“ operative staff Performance Group 3	42.9%	€ 36 / h	(4.950 € / month)
Operative personnel Performance Group 4	14.6%	€ 28 / h	(3.850 € / month)
Semi-skilled staff Performance Group 5	4.7%	€ 15 / h	(2.062 € / month)

## **2. Programme examples.**

Interreg Europe programme – Lump sum for monitoring of results



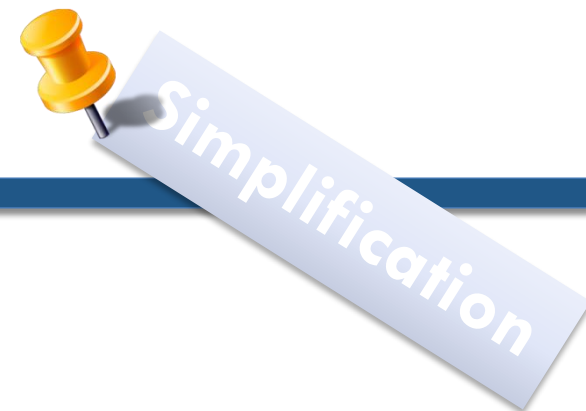
\*Lump Sum  
€17.000/action plan

**Phase 2 = pre-determined + measurable outputs**

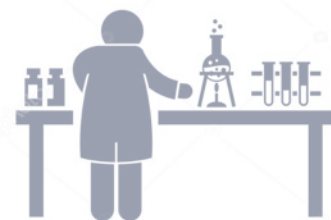
## **2. Programme examples.**

IT-Albania-Montenegro programme – SCOs for small projects

# Small Scale projects



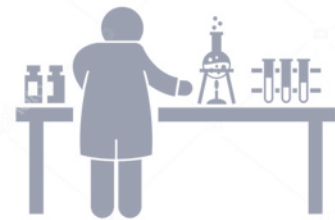
- ✓ Projects entirely made of several lump sums
- ✓ NO other costs allowed
- ✓ NO REPORTING on real costs basis
- ✓ Maximum 100.000 EUR/project – pre-financing 30%
- ✓ Duration 12 months
- ✓ 3 types of lump sums:
  1. Preparation
  2. Seminars and conferences
  3. B2B missions



# Lump sum preparation



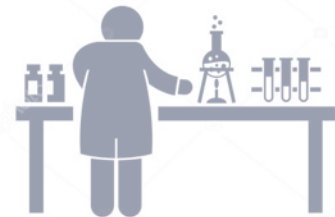
- ✓ Amount: 5.000 EURO
- ✓ Covering e.g. but not only:
  - meetings between potential partners
  - related staff costs
  - travel costs
  - external expert costs for preparation of the documentation
  - studies
  - translation of documents
  - consultations
  - and any other cost related to the preparation of the operation activities carried out before signing the Subsidy Contract/ Partnership Agreement.



# Lump sum events



- ✓ at least 1 day/ at least 40 participants event
- ✓ covering e.g. but not only:
  - executive planning of the event (staff cost + external expertise)
  - logistical assistance
  - fee for speakers, including travel and accommodation
  - rental services and setting up locations
  - kit-event realization
  - hostess service
  - interpreter service
  - catering service
  - operational secretary, including travel and accommodation
  - preparation /implementation of the promotion campaign for the event
  - event follow-up (reporting, evaluation, press releases, etc.)



# Lump sum B2B



- ✓ at least 10 economic operators
- ✓ covering e.g. but not only:
  - incoming activities, including travel and accommodation
  - logistical assistance for operators of economic activities
  - rental services and setting up locations
  - hostess service
  - interpreter service
  - catering service
  - operational secretary, including travel and accommodation
  - preparation and implementation of the promotion campaign for the event
  - event follow-up (reporting, evaluation, press releases, etc.)





# Lump sum events



	<b>Italy</b>	<b>Albania 71,3%</b>	<b>Montenegro 62,7%</b>
Workshop, seminars and conferences	EUR 17.000	EUR 12.000	EUR 11.000
Incoming missions & B2B meetings	EUR 21.000	EUR 15.000	EUR 13.000

# **6. SCO meeting Tallinn 19-20/09/2019**

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# Results

## To set up working group to work on Interreg specific SCOs

- 1 hourly rate/Member State based on available data (Staff costs: reduction of options & harmonisation)
- Unit costs for participants for events
- Lump sum for events/meetings
- Closure lump sum

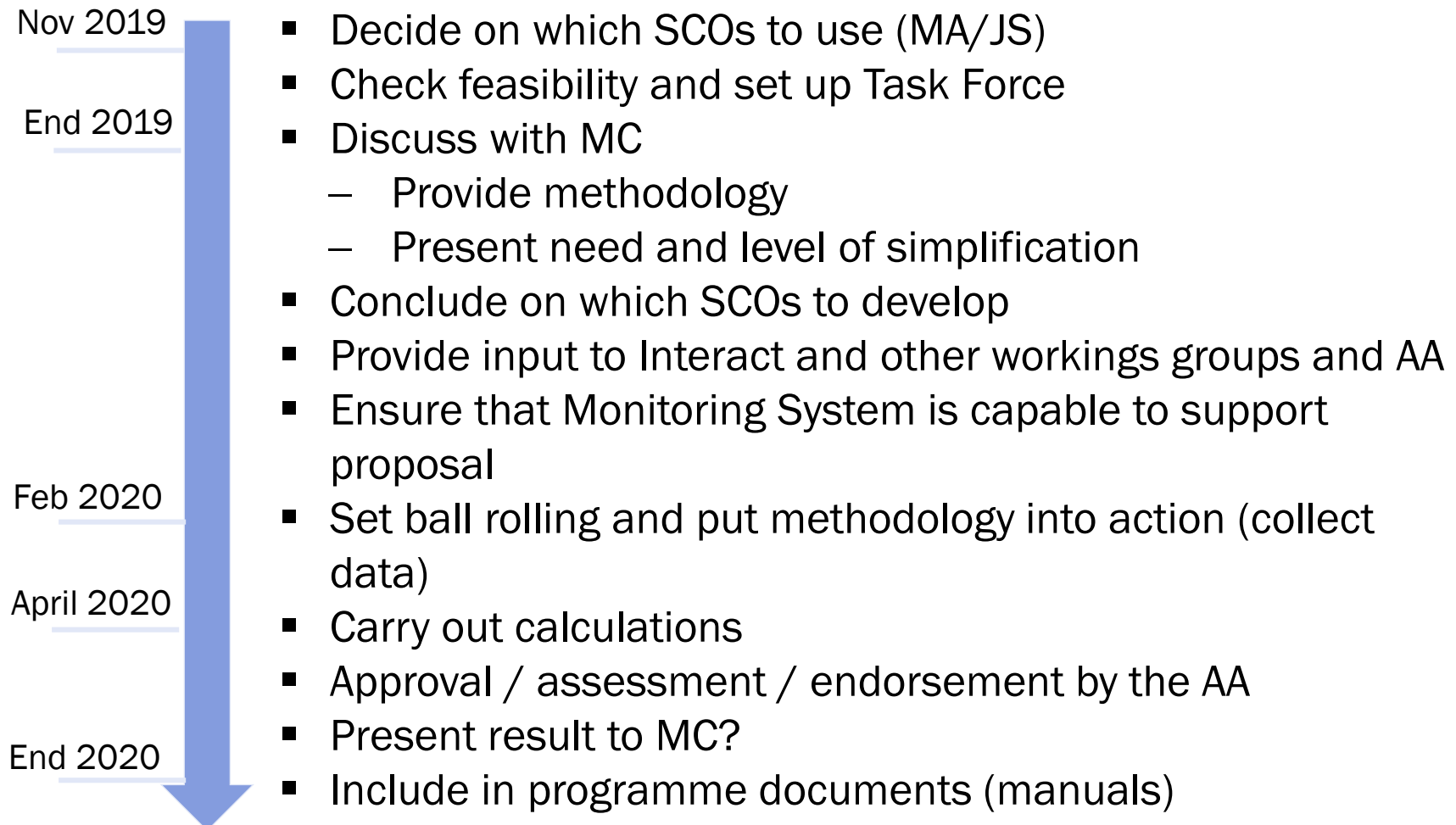
## Roadmap to build an SCO

## Stakeholder dialogue



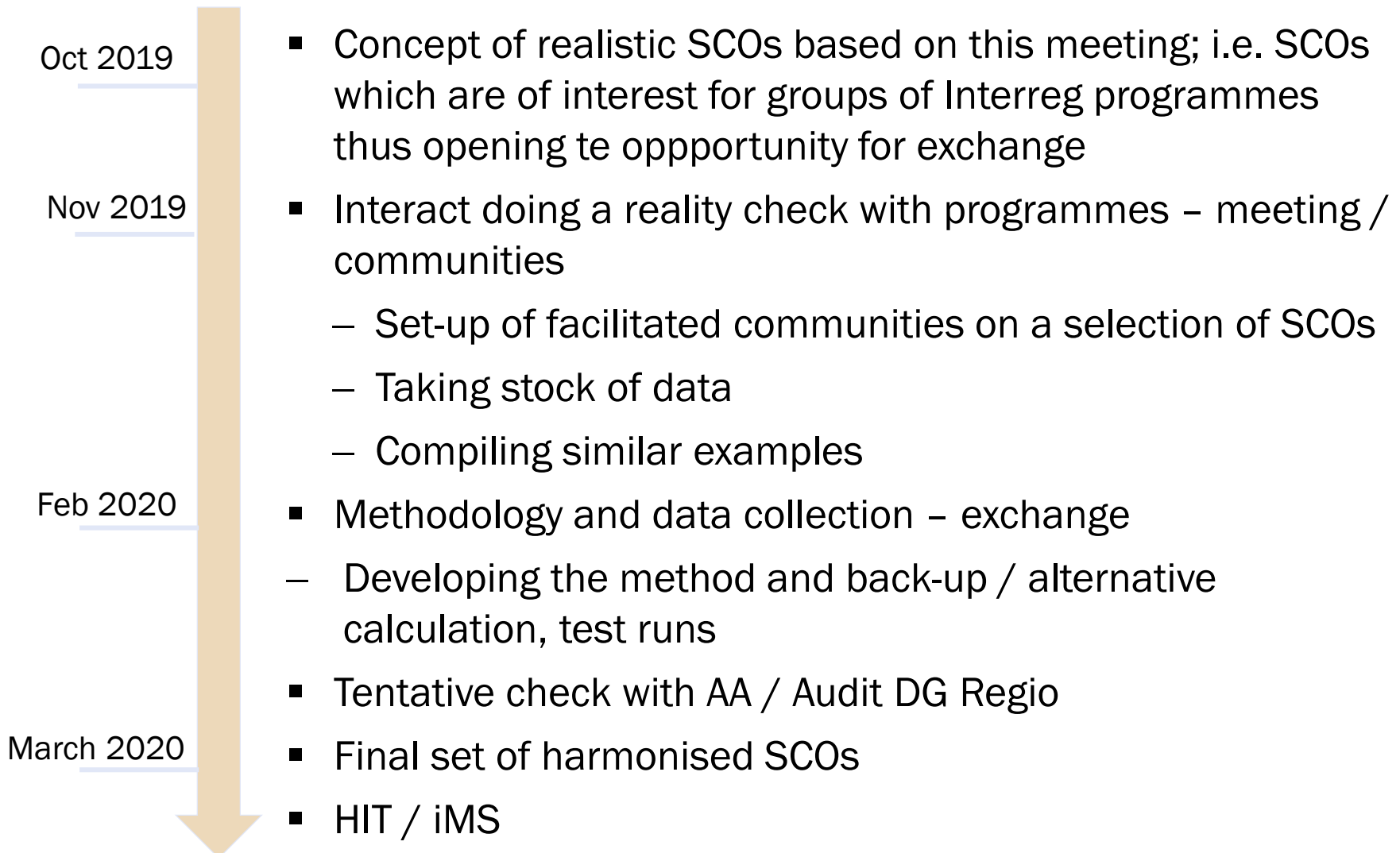
# Roadmap 1 - for a programme

*Group work result, Embracing SCOs; September 19-20, Tallinn*



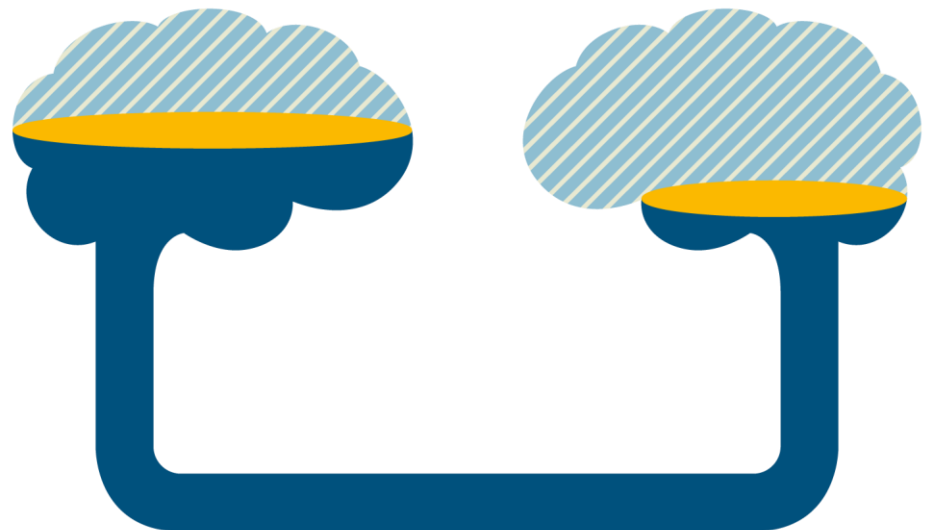
## 2 – Interact support for a set of common ones

*Group work result, Embracing SCOs; September 19-20, Tallinn*



# More information on SCOs

- Interact library (e.g. Documents & factsheets, event presentations): [www.interact-eu.net](http://www.interact-eu.net)
- Interact available for advisors and workshops
- Join the working group if you are interested



# Cooperation works

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All materials will be available on:

[www.interact-eu.net](http://www.interact-eu.net)