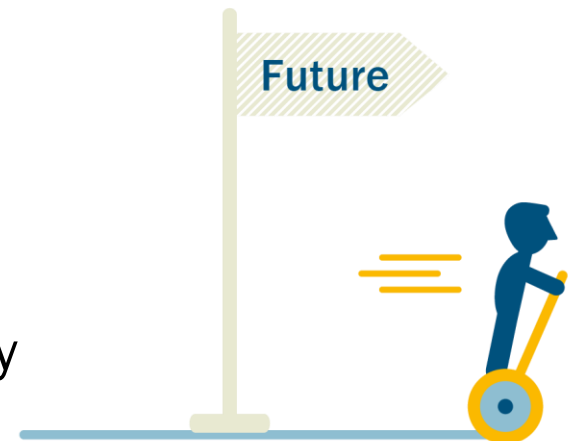


SCOs – the future

Transitioning from 2014-2020 to 2021-2027

09 - 10 December 2019 | Frankfurt, Germany



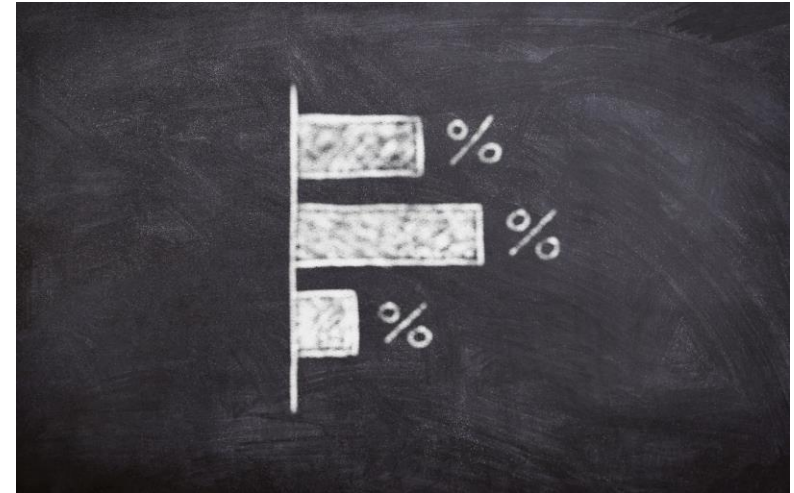
Interact

Simplified cost option (SCO) - definition

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



Forms of reimbursement in Interreg



► Real costs

- Tracing every Euro of co-financed expenditure
- Ex-post
- Based on supporting documents

► Simplified cost options

- Flat rate financing (Art. 68 CPR*)
- Standard scale of unit costs (Art. 67(b) CPR)
- Lump sum (Art. 67(c) CPR)

**with changes introduced by Omnibus Regulation (former Articles 48-51)*

Simplified cost options

(Standard scale of) unit cost

calculation of all/ part of costs of specific cost category

fixed in advance

amount multiplied with number of units

applied to easily identifiable quantities

Lump sum

calculation of all/ part of costs of the project

subject to achievement of predefined outputs/activities

0-1 (binary) approach (milestones)

applied to clearly defined activities

Flat rate

calculation of costs of a specific cost category

calculated by applying a percentage fixed in advance

percentage applied to one/several cost category(ies)



Simplified cost options - background

Political & strategic approach at the EC level

- Simplification agenda (HLG, updated Omnibus, etc.)
- Reflected in Regulations directly:
 - off-the-shelf SCOs – more options
 - mandatory use – wider application
 - TA flat rate
- Indirectly:
 - Risk-based approach to management verifications
 - Management verifications at the MA level

Post 2020 (proposed Regulation)

Flat rates

- Up to 7% flat rate for admin costs on all other direct costs, Art. 49(a) CPR
- Up to 15% flat rate for admin costs on direct staff costs, Art. 49(b) CPR
- Up to 40% flat rate for all other costs on direct staff costs, Art. 51 CPR
- Up to 25% flat rate for admin on eligible direct – calculations based on fair, equitable, verifiable method or transfer if already established by another MS for **similar operation (in 2014-2020 – similar operation AND beneficiary)**, Art. 49(c) CPR



Post 2020 (proposed Regulation)

Flat rates (continued)

- Up to 20% flat rate for staff costs on all other direct costs, *unless public works or services or supply contract in direct costs*, Art. 50(1) CPR
- Up to 20% flat rate for staff costs on all other direct costs, Art. 38(3)(c) ETC **(Council proposal)**
- TA flat rate (6% CBC, 7% TN & Interregional, 10% NDICI/IPA) on reported project expenditure, Art. 26 ETC
(7%, 8%, 10%)
- Up to 15% flat rate for travel & accommodation costs of direct costs other than staff costs, Art. 40(5) ETC
Up to 15% flat rate for travel & accommodation costs of direct staff costs, Art. 40(5) ETC **(Council proposal)**

Post 2020 (proposed Regulation)

Other SCOs

- 1720h staff costs, Art. 50(2)(a) CPR
- SCO mandatory for projects (unless State aid) if total budget <200,000€, Art. 48(1) CPR
- Draft budgets up to 200,000€, Art. 48(2) CPR
Draft budgets up to 100,000€, Art. 24(6), ETC (EP & Council)
- SCO mandatory for small project funds (unless State aid) if ERDF <100,000€, Art. 24(6) ETC
- Lump sums, flat rates, unit costs:
 - individually set-up by programmes (fair, equitable and verifiable calculation method based on statistical data/ other objective information/expert judgement/ verified historical data of beneficiaries/ usual accounting practices of beneficiaries; similar type of operation), Art. 48(1)+(2) CPR

SCO combinations

- 20% staff & 15% admin → yes
- 40% & ?? → No!
- 20% staff & 15% admin & 15% T&A → yes
- Unit costs & lump sums, Unit costs & flat rate, etc. → yes! But definition of SCO crucial: overlaps (double-financing)!

WHY to SCOs?

- Reduce administrative burden both for programmes and beneficiaries (flexibility, easier reporting, reduced bureaucracy)
- Shift to result/ output orientation
- Less time consuming
- Reducing the risk of errors (lower error rate)
- Facilitate audit and control
- Attract new and keep beneficiaries



Stakeholders' involvement



Against SCOs	Convincing arguments
Why to change what we are used to?	Quite obvious benefits (faster reimbursement to beneficiaries, lower audit requirements, lower error rate)
Beneficiaries don't want undercompensation or reimbursement based on SCOs does not reflect real costs	Benefits of SCOs to be clearly communicated to projects: e.g. gain and savings of resources; time to be spent on content of project not administration
MA doesn't have enough resources and data	SCOs require more work from MA at the beginning – significant time is saved during implementation
SCOs contradict existing methods in regions/ MS	Involve national stakeholders when designing SCOs

SCOs and their limitation

Cost-benefit

- Will the SCO bring an actual **simplification** for projects?
- How much resistance?
- Risk of systemic errors?
- Innovation vs simplification

Definitions

- Is it possible to define SCOs in a way that overlaps are excluded?

Mandatory use

- SPFs
- Projects below 200.000€

Don't forget your target group

- The priority should be the projects (if they like it or not)
- It requires ex-ante work at MA level but this is no excuse to not do it!

Golden rules for implementation

- One for all!
- Focus on what can be achieved – activities, outputs, results
- Resources/work at programming stage and project assessment
- Minimise the risk for the project partners (and the programme) – intermediate lump sums if needed



Intensity of work at MA level

Off-the-shelf

- Rather low, no legal certainty needed
- No validation needed! Really!
- Options: up to 20% flat rate staff, up to 15% administration costs (of staff), up to 7% administration costs (of all other costs), up to 15% T&A, up to 40% for all other costs, 1720h for staff

Copy/paste

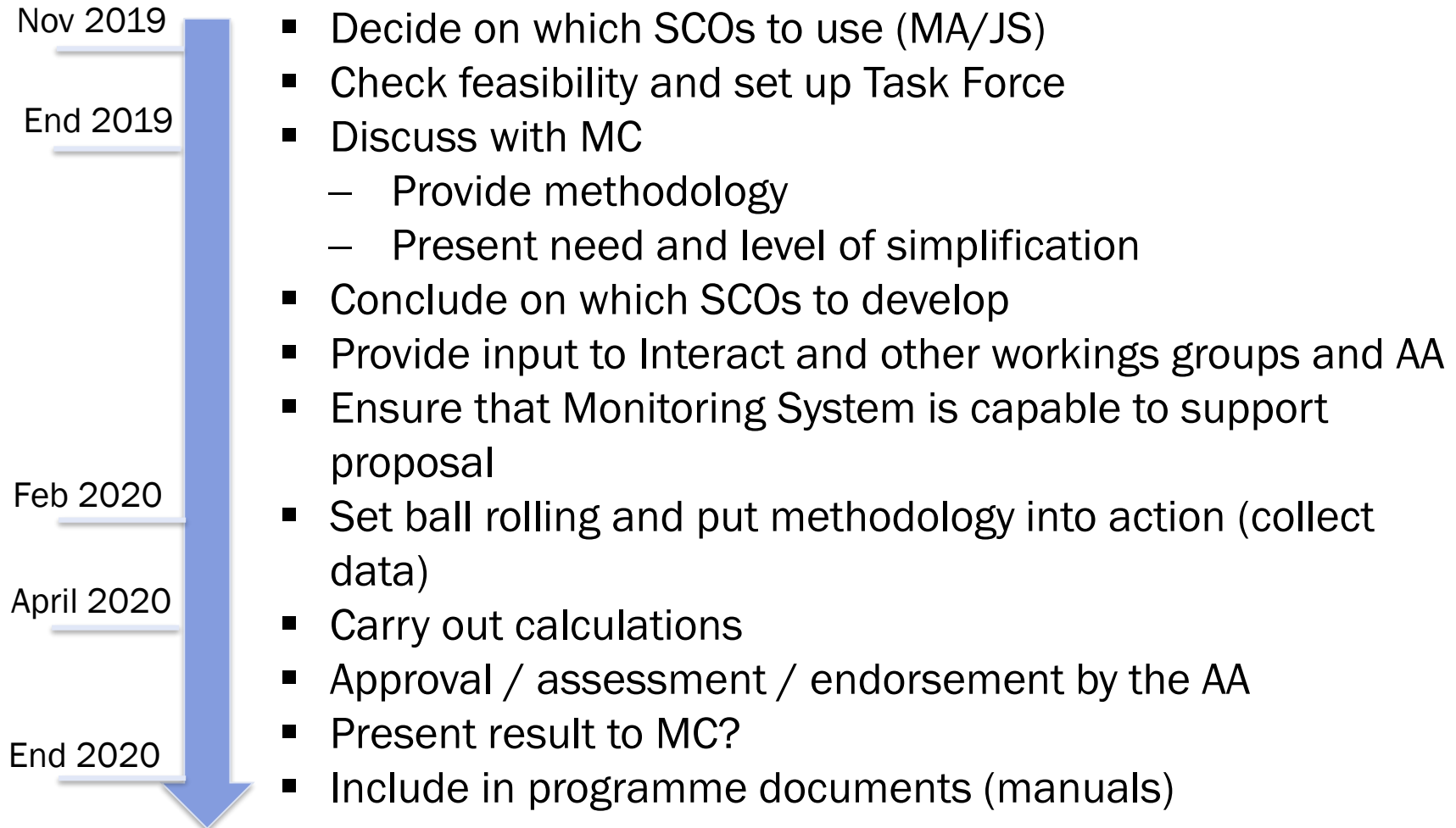
- Medium, limited legal certainty needed
- Evidencing similarity of projects (now: project AND beneficiary)
- Checking that it is in use and update if source is updated
- Options: H2020 (SME owners), Europe for citizens (events)

Do it yourself

- High, legal certainty needed
- Data source, data reliability,
- Evidencing fair, equitable & verifiable

SCO – indicative timeline for a programme

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



Documentation of a SCO

Points to be considered

- Early assessment by AA
- Approval by MC
- Update of programme documents (e.g., MCS, programme manual, SC, PA)

Documentation

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



SCOs and ex-ante validation (now)

Programme specific SCOs to be validated ex-ante?

- MA needs/wants legal certainty
- COM does not validate the methodology → task of the AA
- No requirement for that tasks in Regulations
- Willingness of AA to cooperate, if not:
 - Application at own risk
 - Validation only when project sampled or in system audit (too late?)
 - External validation (expensive?)

Way forward, proposed by COM:

- No more consultation process, only early assessment by AA
- COM (audit unit) might accompany the national auditors in their audit work to assess SCO methodology designed by MA
- COM developed checklist for AAs to be used for the early assessment (available)

SCOs and ex-ante validation (future)

Appendix 2 of the CP template

DISCLAIMER: still contradicting information from legislator (COM & Council)

APPENDICES

- Map of the programme area
- Reimbursement of eligible expenditure from the Commission to the Member State based on unit costs, lump sums and flat rates
- Financing not linked to cost

Appendix 1: Map of the programme area

Appendix 2: Reimbursement of eligible expenditure from the Commission to the Member State based on unit costs, lump sums and flat rates

Reimbursement of eligible expenditure from the Commission to the Member State based on unit costs, lump sums and flat rates

Template for submitting data for the consideration of the Commission

(Article 88 CPR)

Date of submitting the proposal	
Current version	

SCOs and ex-ante validation (future)

Appendix 2 of the CP template

- To be submitted with CP, including all SCOs to be used by programme

B. Details by type of operation (to be completed for every type of operation)

Did the Managing Authority receive support from an external company to set out the simplified costs below?

If so, please specify which external company: Yes/No – Name of external company

Types of operation:

SCOs and ex-ante validation (future)

Appendix 2 of the CP template

- Point 5 says

5. Assessment of the audit authority(ies) of the calculation methodology and amounts and the arrangements to ensure the verification, quality, collection and storage of data:

--

SCOs and ex-ante validation (future)

Appendix 2 of the CP template

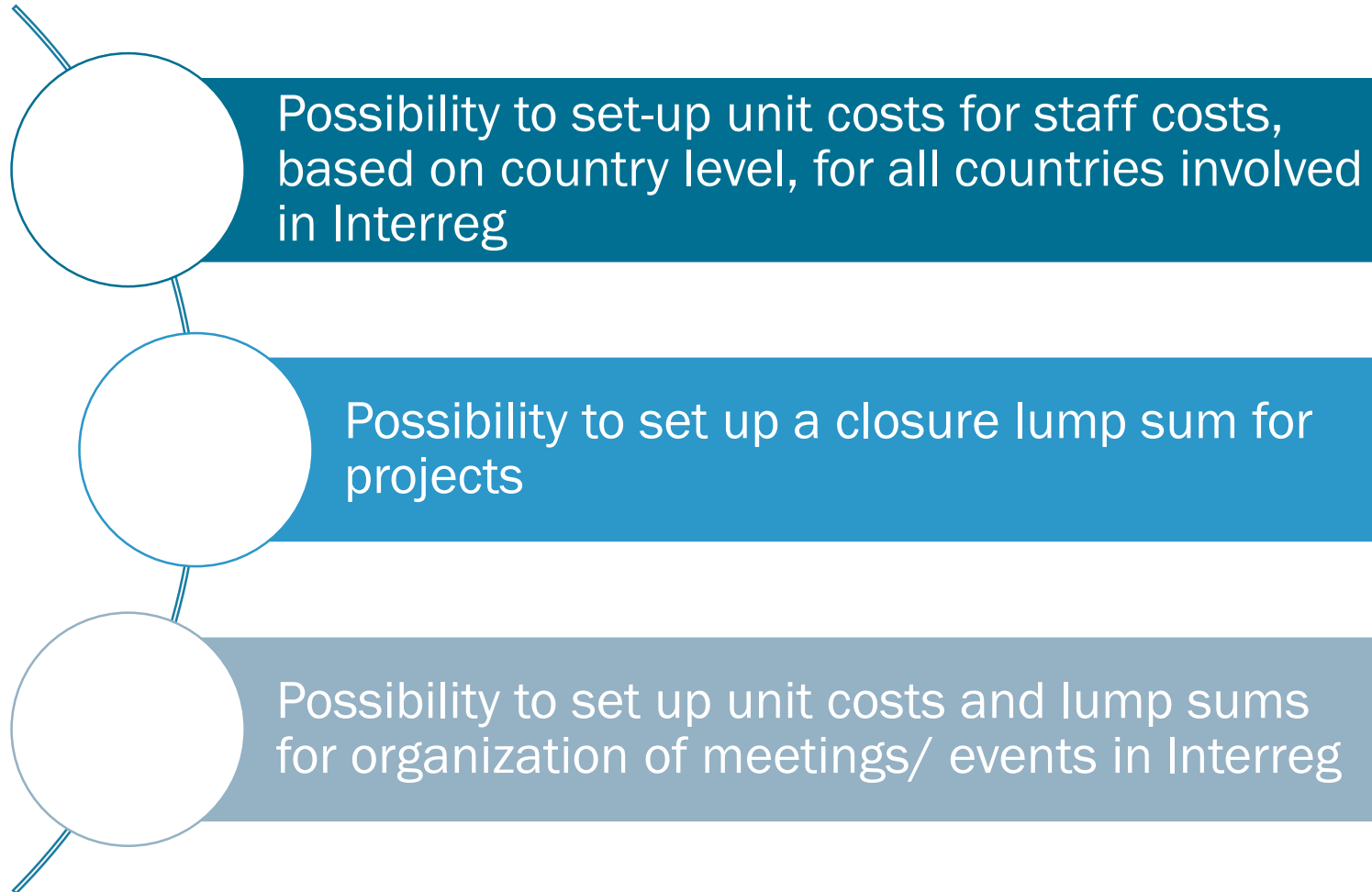
- COM (audit services) says point 5 obliges the AA to carry out an ex-ante validation for any SCO to be used in the next programming period
- AAs have doubts on that interpretation as there is no such mentioning in the relevant main parts of the Regulation, e.g. Functions of the audit authorities or any of the other relevant annexes

SCOs and ex-ante validation (future)

Appendix 2 of the CP template

- There is no clear interpretation/guidance yet on:
 - What is the added-value of this for Interreg/COM?
 - COM will not re-evaluate the work of the AA, what will they do with the information?
 - MCS seems to have to be partially ready and checked by AA. Why?
 - What if point 5 is empty?
 - What if not all SCOs are ready by the time of submission of CP?
 - What if a programme wants to update/change/introduce new SCO during programme implementation?
 - What if a programme applies SCOs, but did not submit information in Appendix 2?

Why not Interreg-specific SCOs?



More information

- [Interact library](#) (factsheets, event presentations)
- [Transnational Network of ERDF/CF SCO practitioners](#)
- Join our Interact Communities (Eligibility of expenditures, Interreg SCOs)
- Events (2020):
 - 23 - 24 January, Helsinki: TN ERDF/CF SCO practitioners
 - 4 - 5 February, Bratislava: [SCOs in Interreg](#)
 - 5 - 6 February, Bratislava: [Small project funds](#)



Any SCO-related questions ...

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Cooperation works

All materials will be available on:

www.interact-eu.net