

FAMENET online channel session: Simplified Cost Options (SCOs)

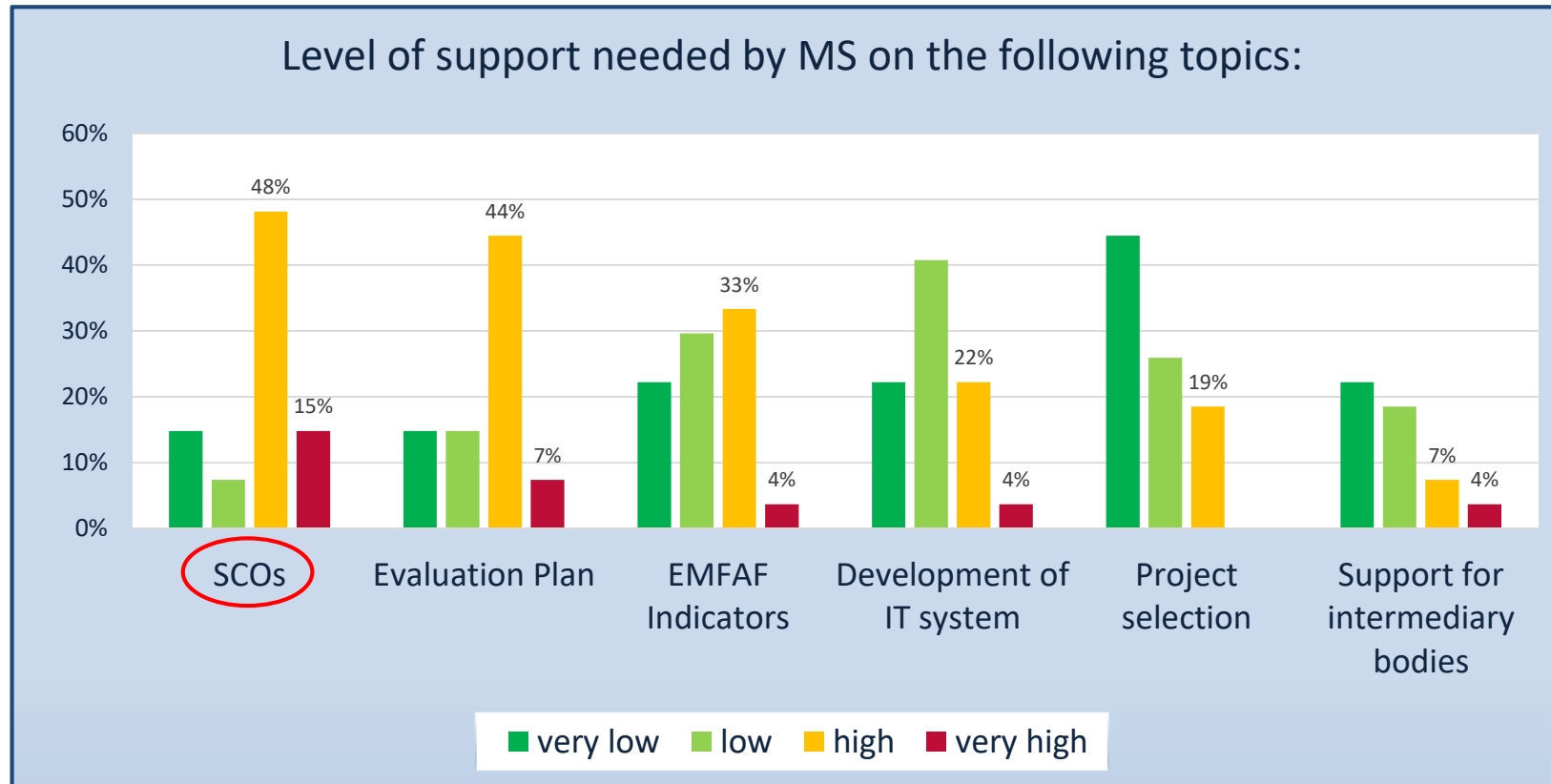
26.04.2023



Agenda

10:00 - 10:05	Introduction
10:05 - 10:25	Simplified Cost Options
10:25 - 10:55	Member State experiences with SCOs (BG, CY)
10:55 - 11:05	Break
11:05 - 11:35	Member State experiences with SCOs (HU, RO)
11:35 - 11:55	Concluding Panel Discussion
11:55 - 12:00	Closing, final evaluation

SCOs were the most requested topic for FAMENET support in 2023:



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	IT system	Indicators	Evaluation plan	Support for IBs	SCOs	Selection of projects
AT			high			
BG		high	very high		very high	high
CY			high			
CZ						high
DE				high		
DK			high		high	
EL	high				high	
ES			high		high	
FI					high	
HR		high	high		high	
HU	high				very high	
IE		high	high	high	high	
IT	very high	very high	high	very high	very high	high
LT		high	high		high	high
NL	high	high	high		high	
PL			very high		very high	
PT		high			high	
RO		high	high		high	
SE	high				high	
SI	high	high	high		high	
SK	high	high	high		high	high
Need for support:						
	low	high	very high			

Specific SCO topics requested include:

- **Set-up** of SCO system
- **Eligibility** and **cost checks** (especially at control level)
- **Introducing SCOs** to beneficiaries
- **Training personnel**
- **Standard cost models**
- **Lump sums** based on draft budget
- **Mixed costs**
- **Selecting/calculating SCO for certain types of actions/operations** (marine garbage removal, MPA surveillance, FLAG operating costs, purchase of equipment, overhead)
- **Integrating into IT system** (reporting, documentation by beneficiaries)
- **Information to be collected**
- **Reporting of SCOs**
- **Risk assessment**
- **SCOs across EU funds**

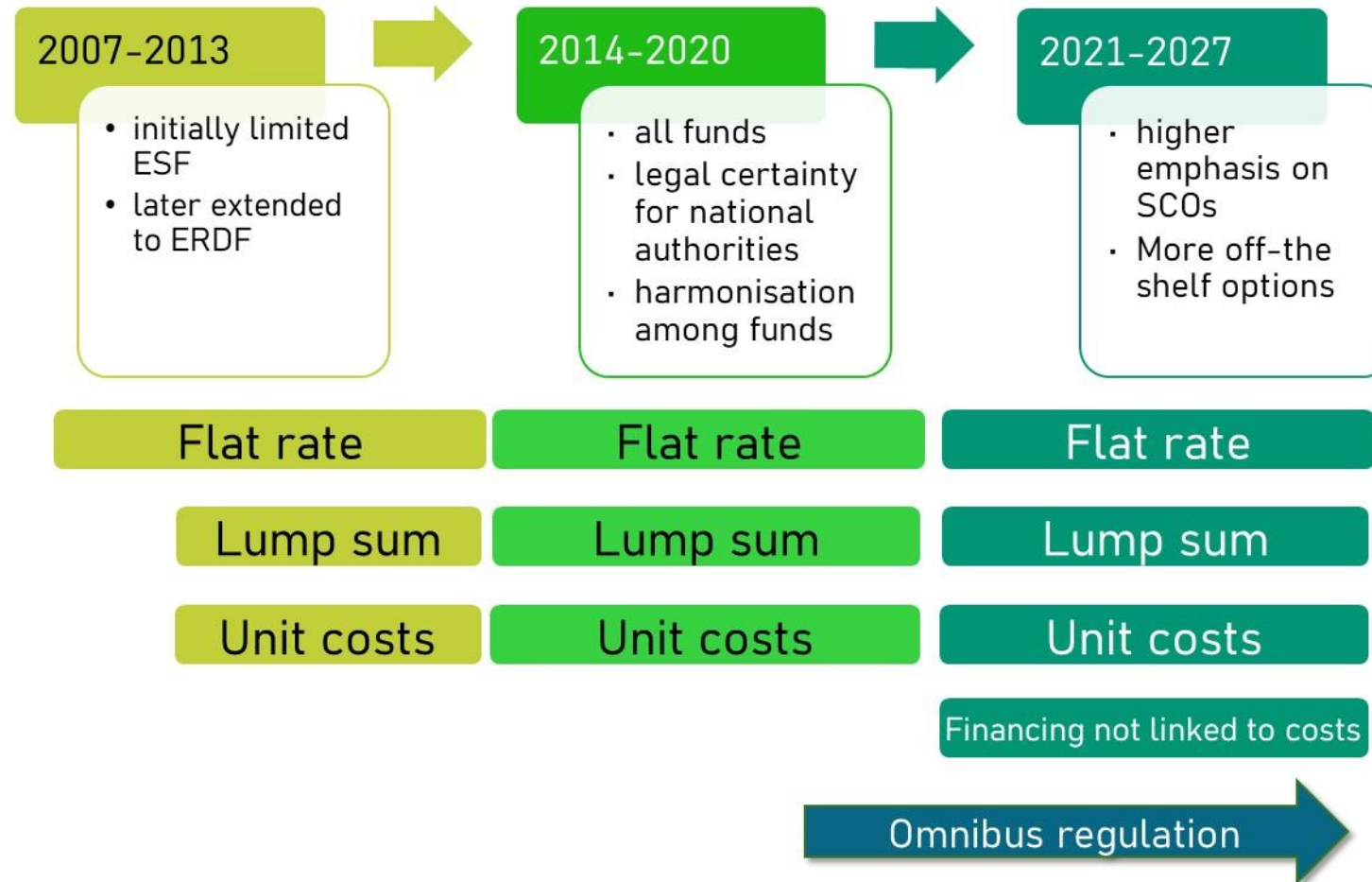


Introduction: basic principles of SCOs

What are SCOs?

- Simplified costs are the **best possible proxy of real costs**, determined in advance and based, for example, on statistical data
- Estimates of future costs will never equate precisely to actual costs; they **overcompensate** or **undercompensate** the actual costs incurred for the operation
- SCO must be **determined ex-ante** before the action is implemented, a sound methodology is key
- SCO can be expressed in **absolute numbers** (unit costs...EUR/ha, lump sums...EUR) or a **percentage** of other values (flat rate...% of turnover)
- Controls and audits will **not check ex-post** the invoices and amounts paid by beneficiaries (time saving) but the correct application of the calculation method

SCO have been used for several programme periods



Guidance & exchange platforms on SCOs

- EC Simplified Cost Options Website
https://ec.europa.eu/regional_policy/policy/how/improving-investment/simplified-cost-options_en

FAME Support Unit

CT03.1

Working paper EMFAF
simplified cost options

Update
planned in
2023

Final

August 2021

SCO Network Meetings

- + Thirteenth Meeting – Bucharest (March 2023) – SCOs in practice (LV methods) and audit of SCOs (LV and FI experiences), FNLC (BG sc How assurance is provided when implementing FNLC, Risk-based (outcomes of the second meeting of the RBMV Working Group and mapping of digitalisation of practices and processes, Simplification management (PT experience), Cooperation between managing aut simplification (RO experience)

EMFAF not involved in
SCO network meetings?

Applicability in EMFF/EMFAF programmes

- SCO may be used for a **wide range of types of operation and types of expenditures**, in particular for similar operations which are difficult to administer and to verify
- Easy to implement if **off-the-shelf** solutions are used
- **Obligatory use** for any compensation supported by the EMFAF, e.g. permanent/temporary cessation, compensation for additional costs or income foregone

Implementing options of SCOs

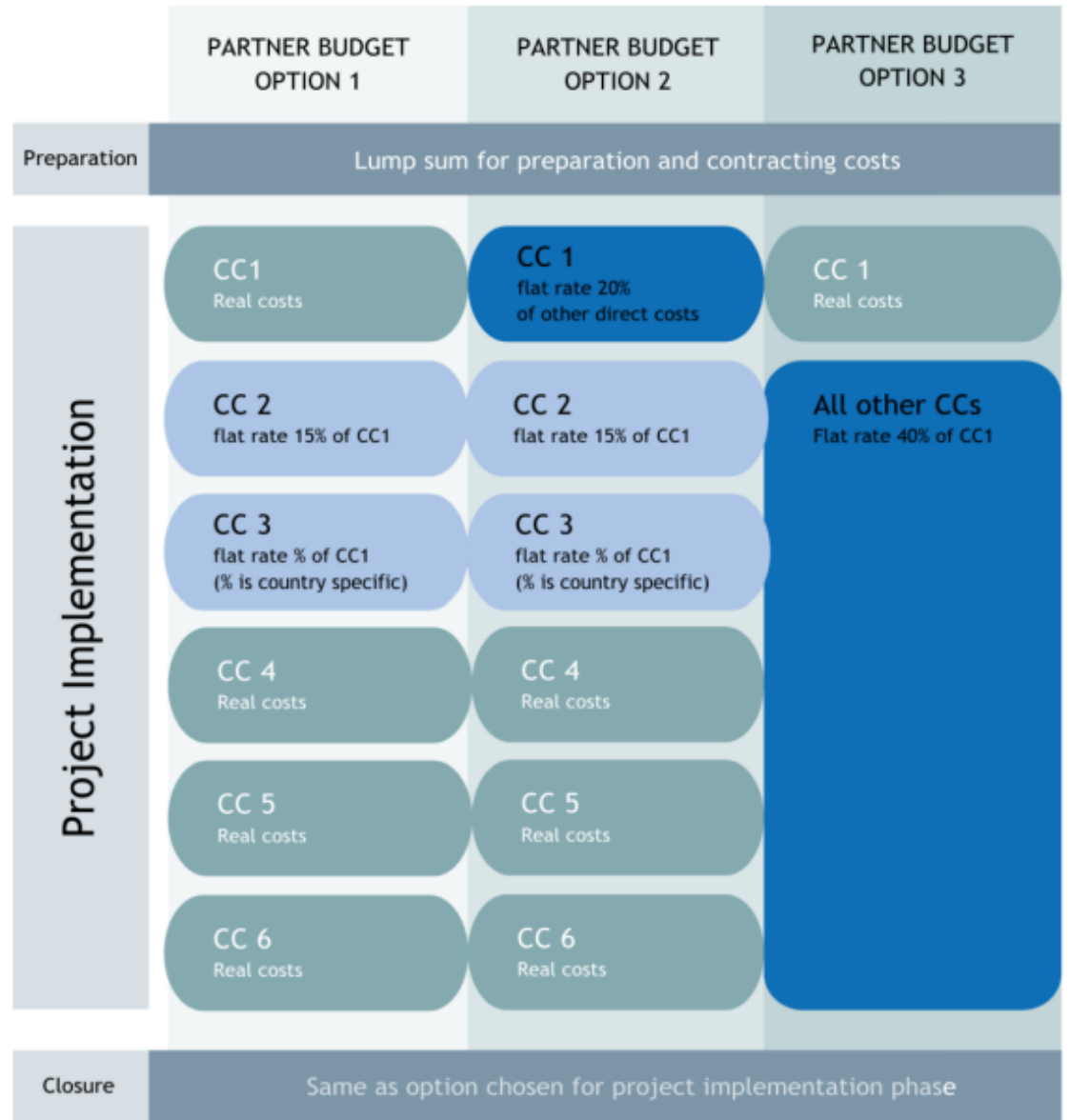
- **Off-the-shelf SCOs:** ready-made SCOs offered in the 2021-2027 CPR and Omnibus regulation from 2018 (flat rates, unit costs, no lump sum). There is no need to develop a methodology; “up to”–no justification or calculation required
- **Programme specific SCOs:** individually developed at programme level by the MA, with a specific methodology to be developed according to the Fair, Equitable and Verifiable principle (FEV) and with an early consultation with the audit authority

Off-the-shelf SCOs, examples

Off-the-shelf flat rates	Type of costs
Up to 15 % of eligible direct staff costs <i>(Omnibus new Art. 68 (b))</i>	Indirect costs (overheads): management costs, electricity, telephone, heating, office equipment, cleaning
Up to 7 % of eligible direct costs <i>(Omnibus Art. 181 (6))</i>	
Up to 25 % of eligible direct costs , <i>provided that the rate is calculated in accordance with FEV (Omnibus new Art. 68 (a))</i>	
up to 40 % of eligible direct staff costs <i>(Omnibus new Art. 68b (1))</i>	Remaining costs: room costs, travel costs, meals, information, salaries and allowances in addition to the direct staff costs
up to 15 % of the direct staff costs of that operation <i>(ETC regulation)</i>	Travel and accommodation costs
up to 20 % of the direct costs other than the direct staff costs of that operation <i>(Omnibus new Art. 68a (1))</i>	Staff costs: internal and external staff costs, including taxes and social security contributions

Off-the-shelf SCOs may be used in combination with real costs and other SCOs in the same project to cover different costs

~~But no multiple funding of the same cost categories~~



LEGEND

- CC Cost categories
- Real costs
- Simplified cost options
- Obligatory simplified cost options

Example Interreg Central Europe (with larger projects), Programme Manual

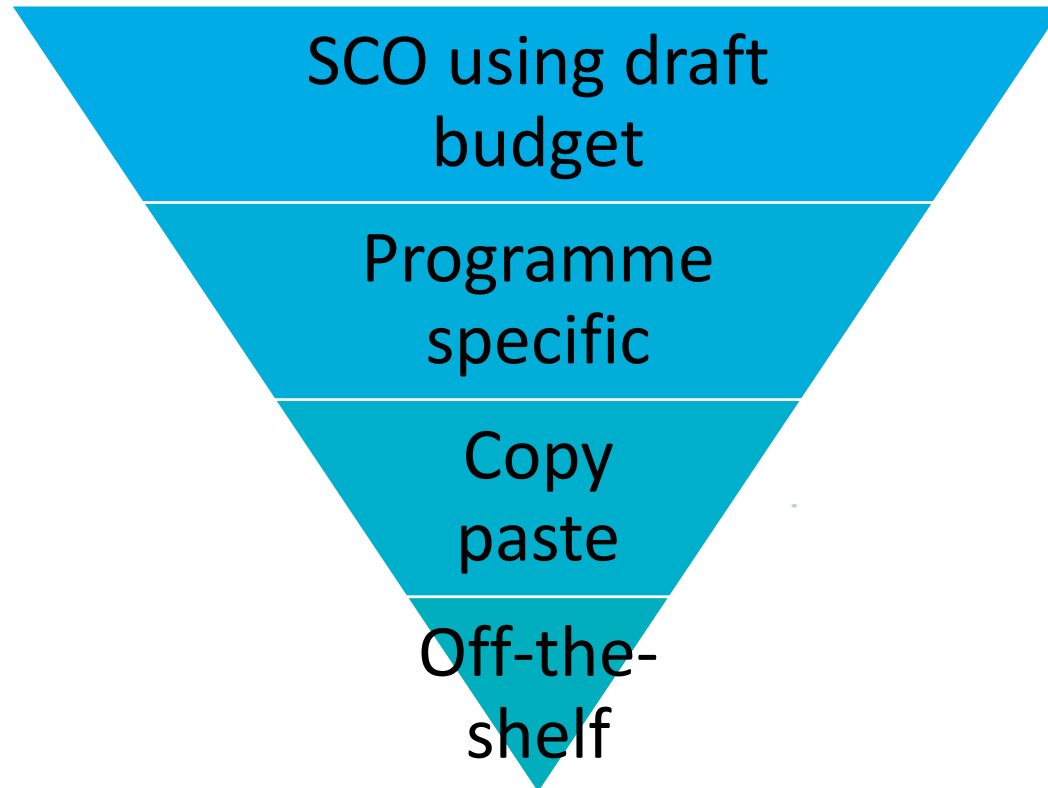
Programme specific SCOs

The methodology must be based on **documented evidence** that can be checked. The documentation must cover:

- the description of the methodology (including key steps of the calculation)
- the data sources used, including an assessment of their relevance and quality; and
- the calculation itself

An alternative is to use the **draft budget method** (below 200,000 EUR public support) used to establish a lump sum on a case-by-case basis

Resources/work required by programme



- MA faces additional in-house workload or external costs for outsourcing when preparing the methodology
- Need to justify assumptions and data used for the methodology (traceability)
- An independent check on the design of the SCO is necessary (by the AA), which takes time
- Need to regularly review and update the methodology (but historical data on real costs are no longer available)

In-depth discussion round: overview on cases

Overview cases (compensations)

MS	Legal basis	What is compensated	Cost categories covered	Sector addressed	Type of SCO
BG	EMFF Art. 68	Additional costs (increase in prices caused by the war)	Fuel, feed and raw material	Fisheries, aquaculture, processing	Flat rates (percentage of total turnover)
RO	EMFF Art. 68	Income foregone (disruption/interruption of fishing activities because of the war)	Average daily value of catches / daily salary of fishermen	Fisheries	Unit costs (EUR per day per fleet segment)
RO	EMFF Art. 68	Additional costs (increase in prices caused by the war)	Fuel, energy	Fisheries, aquaculture, processing	Flat rate (percentage of net value of sales)
HU	EMFF Art. 68	Additional costs (increase in prices caused by the war)	Feed	Aquaculture (pond-farming, intensive fish production)	Unit costs (EUR per hectare or tonne)
CY	EMFAF Art. 21	Income foregone for temporary cessation	Value of tuna landings lost, running cost avoided, maintenance costs	Fisheries	Lump sum (EUR per category)

Points to consider

- Is the target group clearly defined?
- Is the type of SCO clearly specified?
- Is the methodology to calculate the rate based on reliable data and includes only eligible expenditures and avoids the risk of overcompensation?
- What kind of documents will be requested from the beneficiary to release the payment?
- Has the Audit Authority assessed the methodology?
- Does the SCO actually simplify the implementation of the type of action?

Conclusions on the methodologies

1. Is it better to focus on a few cost categories?
2. Is it necessary to do a separate calculation for each cost category? (instead of using a general index across costs)
3. Which of the methods presented are administratively very easy to implement?
4. Which of the methods presented have a strong mechanism to avoid overcompensation?
5. Is there a risk with a method that the rules cannot be clearly communicated upfront to the beneficiaries?