



Simplifying Delivery

And the use of Simplified Cost Options

11.10.2023



Why simplify?



- ✓ Save time
- ✓ Reduce errors
- ✓ Improve access for beneficiaries

SCOs: Basic principals

Managing authority verifies that conditions for reimbursement of expenditure are met (no need to verify expenditure)

- ✓ Defined ex-ante
- ✓ Fair: Reasonable, based on reality, not excessive or extreme. Duly justified and explained
- ✓ Equitable: Not favouring some beneficiaries or types of operations over others
- ✓ Verifiable: Based on documentary evidence which can be verified (audit trail).

SCO overview



%	Flat rate	high-volume, low-value transactions	<ul style="list-style-type: none">• Administration costs• Travel costs• Overheads
EUR	Lump sum	deliverables, outputs and their values can be easily pre-defined	<ul style="list-style-type: none">• feasibility studies and other studies,• project preparation costs,• closure costs,• new operating models and concepts,• small projects,• seminars,• workshops,• other events
EUR	Unit costs	for any type of project, activity or budget line with defined: <ul style="list-style-type: none">• expected quantities of a deliverable, output, activity defined• unit costs for these quantities	<ul style="list-style-type: none">• hourly rate for staff costs,• the unit cost for organising meetings/ events, the unit cost for delivery of training,• unit cost for participation in international fairs, unit cost for travel, etc



Simplification examples

- ✓ Unit costs (for staff costs) & flat rates (for mission expenses), France
- ✓ Lump sum for LAG Running costs, Denmark
- ✓ Lump sum for Draft Budget (LEADER projects), Austria
- ✓ Umbrella Project to simplify delivery for CLLD beneficiaries, Poland



GOVERNEMENT

*Liberté
Égalité
Fraternité*



Simplified cost options

Directorate-General for Maritime Affairs, Fisheries and Aquaculture

Ministry of Ecological Transition - France

Manon Leloir



Flat rate



Principle : certain specific categories of eligible costs are clearly identified in advance and calculated by applying an upstream percentage.

Example : mission expenses (accommodation, travel and catering)

➔ These expenses can be directly linked to the implementation of the operation via a mission order.

- EMFF : use of the civil service scale
- EMFAF : application of an overall rate to personnel costs

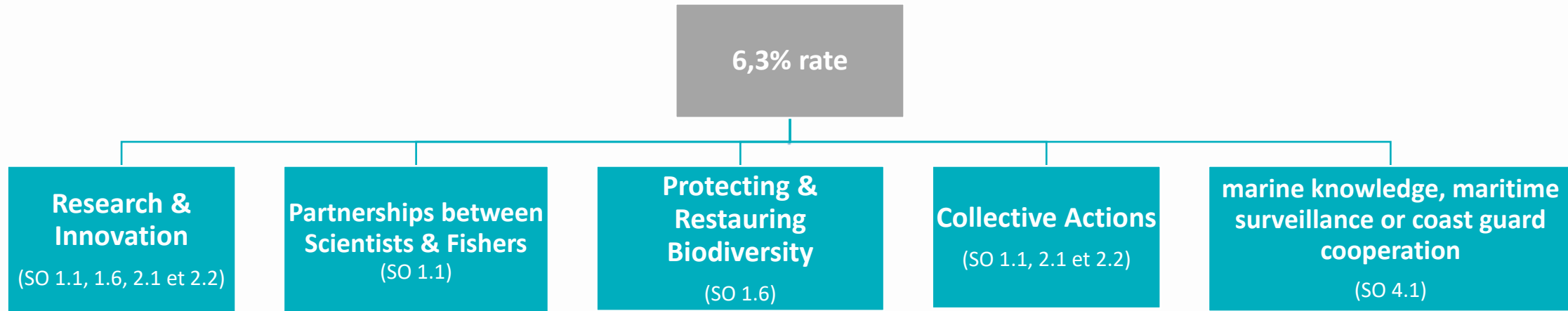


Flat rate



Application of article 53 of the CSFN: rates may be determined on the basis of "a fair, equitable and verifiable method of calculation, based on the following elements". Here, we have used historical data (experience with the EMFF, based on the appraisal of applications).

Calculation method: average based on EMFF data, removing extreme values





Principle: all or part of the eligible expenditure for an operation is calculated on the basis of quantified activities, outputs or results, multiplied by a predetermined unit cost.

Example: staff costs / personnel costs

➔ **Costs resulting from an agreement between employers and employees or from service contracts for external personnel. They include all remuneration.**

- EMFF and EMFAF : same method



Application of article 55 of the RPDC: calculation of the applicable hourly rate

$$\text{Hourly cost of staff} = \frac{\text{Last known annual average gross salary of the position (via payslips)}}{1607 \text{ hours}}$$



Lump sum for LAG running and animation costs

FAMENET Annual MA Meeting October 2023

Mette Andreasen



**Funded by
the European Union**



The Danish Agency for
Planning and Rural Development

The Danish model



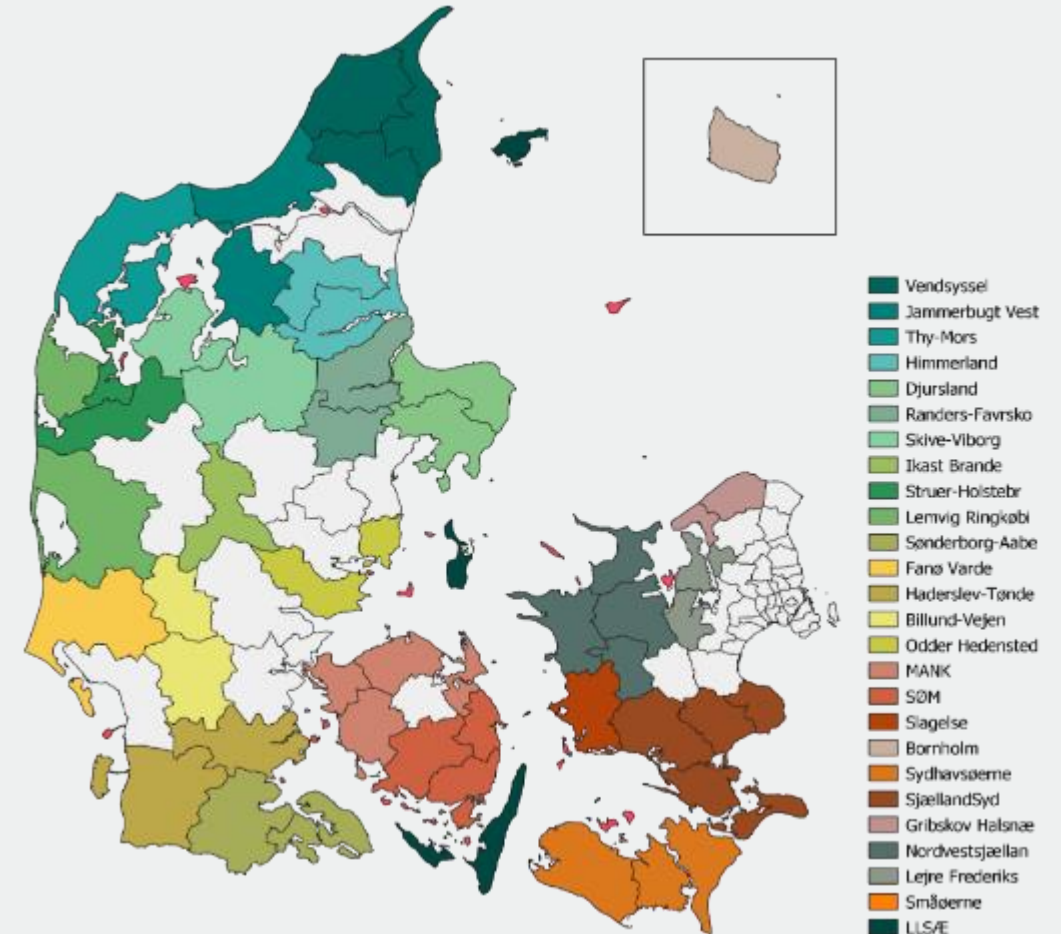
- **26 LAGs get lump sum for running and animation costs in 2023-2027.**

Money is paid based on the results delivered by the LAG's instead of their actual/real costs.

- **We differentiate between starting up the LAG and running the LAG in the long term.**

We are operating with two lump sums:

- Lump sum for preparatory support (same amount for each LAG - when Local development strategy has been made)
- Lump sum for running and animation costs (amount depending on the total budget of the LAG - when milestones are completed twice a year)



Funded by
the European Union



The Danish Agency for
Planning and Rural Development

What have we gained from using lump sum



*We wanted to alleviate the administrative burden by **NOT** tracing every euro of expenditure to individual supporting documents.*

Time spent before using lump sum:

- Advance payments 4 times a year (1 week per LAG = 26 weeks)
- Settlements and review of attachments (2 weeks per LAG = 52 weeks)

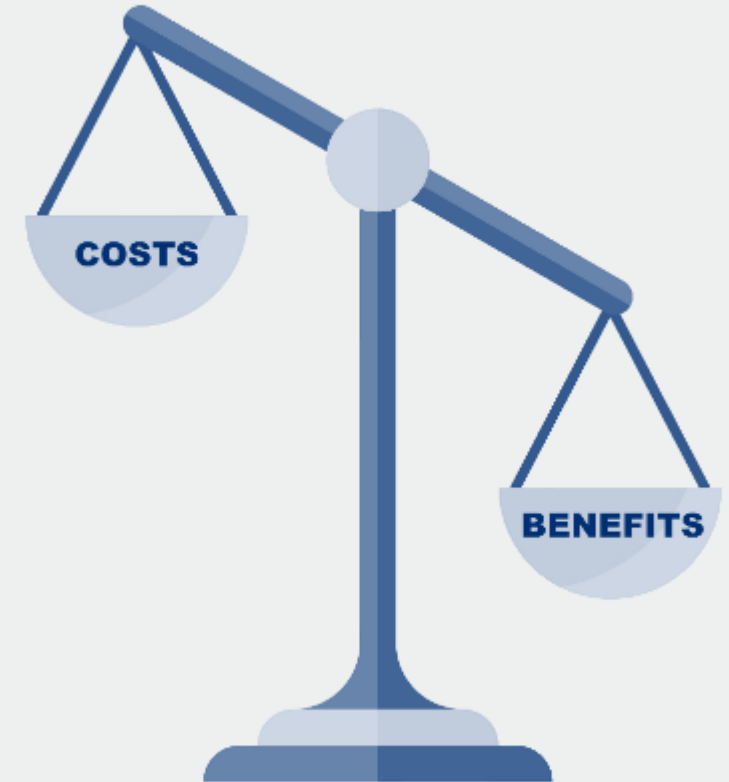
Total 78 weeks per year.

Time spent after using lump sum:

- Approval of result documentation 1. milestone (4 weeks all LAGs)
- Approval of result documentation 2. milestone (10 weeks all LAGs)

Total 14 weeks per year.

Time saved: $78-14 = 64$ weeks every year



Funded by
the European Union



The Danish Agency for
Planning and Rural Development

What have we gained from using lump sum



*It does take time to set up the lump sum, but everything has to be done just once.
It's an investment that pays off year after year.*

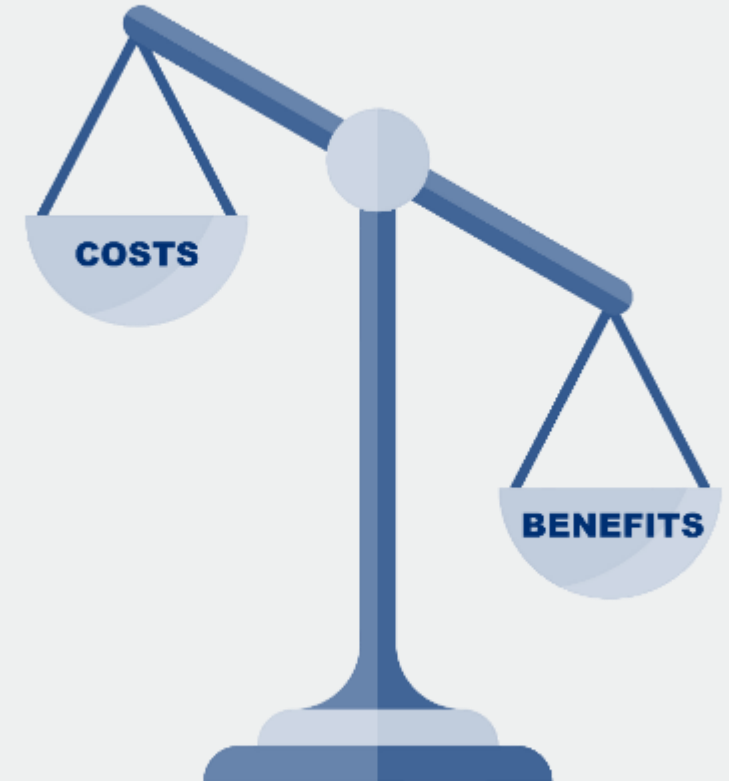
Time spent, developing our lump sum solution:

- Calculation of a fair lump sum amount (4 weeks)
- Setting up indicators (8 weeks)
- Documentation and description of new rules and regulations (8 weeks)
- Implementation, information, teaching a new mindset (2 weeks)

22 weeks during a period of 9 months.

By investing 22 weeks of work we save 64 weeks every year
(320 weeks of work during whole EU program period 2023-2027).

The invested 22 weeks are already recovered within the first year



Funded by
the European Union



The Danish Agency for
Planning and Rural Development

Calculation of a fair lump sum amount



- § • EU regulation 2021/1060, Article 53, paragraph 3:
- The amounts for the forms of grants referred to under points (b- unit costs), (c- lump sum) and (d- flat-rate) of paragraph 1, shall be established in one of the following ways:
 - (a) a fair, equitable and verifiable calculation method based on:
 - (i) statistical data, other objective information or an expert judgement;
 - (ii) the verified historical data of individual beneficiaries;**
 - (iii) the application of the usual cost accounting practices of individual beneficiaries;



Funded by
the European Union



The Danish Agency for
Planning and Rural Development

Verified historical data



- We had all the accounts for each LAG from the last program period.
- Was it really just a matter of choosing a dataset and finding the average cost?
- We chose historical data from 2017, 2018, 2019 in order to have a widespread dataset
- We didn't include 2020. Because of Covid-19 it wasn't representative.
- We looked at the categories of the expense items.
- They were the same in every LAG:

Salary, transportation, advertising, office supplies, catering and premises rent.

- **But the costs were not comparable at all.**
- To just find the average cost and make that into a standard lump sum for every LAG would not be fair.



Funded by
the European Union



The Danish Agency for
Planning and Rural Development

What should the LAG's deliver in order to get the lump sum?



- *Setting up indicators*



- Commission notice guidelines on the use of SCO (2021/C 200/01):
 - 3.3.1: [lump sum] is paid if **predefined** activities and/or outputs are completed.
 - [...] the deliverable is usually considered as achieved or not achieved, leading to a binary situation of payment or no payment depending on full achievement.
 - 4.1: It is important to communicate to the beneficiaries the exact requirements [...] **and the specific output or outcome to be reached.**



Funded by
the European Union



The Danish Agency for
Planning and Rural Development

What is the core task of a LAG?



- *We had to identify the most important tasks that we wanted to make sure would still be done*

- Seek out projects
 - Help applicants
 - **Distribute grants** (select applicants to get support)
 - **Encourage local involvement**
 - **Use widespread local knowledge**
 - **Apply the Local development strategy**
- } LEADER



Funded by
the European Union



The Danish Agency for
Planning and Rural Development

Experience about setting up indicators



- *What did we learn in the process?*
- It's a good idea to involve stakeholders (e.g. audit authorities, paying agency, certified body) in order to spot weaknesses in the solution up front.
- It is much easier to come up with more and more output that needs to be completed (deliverances) than it is to say: "That's not necessary"
- The output or deliverances should be well defined otherwise it becomes too difficult to assess whether they are completed or not.
- Be careful about asking for statements, reports or evaluations – especially if you don't have time to read them.





Draft budget method

*Application in LEADER in the CAP Strategic Plan
Austria 2023-2027*

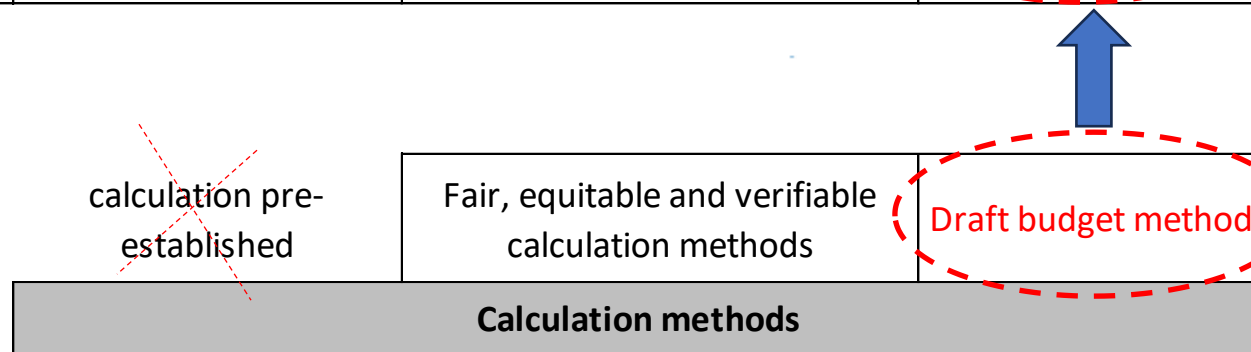
11.10.2023



What is a draft budget?

Types of SCOs	Main implementing options		
	Off-the-shelf	Tailor-made SCOs developed by the MA	
		at programme-level	at project-level
Flat rates	X	X	x
Unit costs	X	X	x
Lump sums	not mentioned in the CPR	X	x

A calculation method to establish a project specific SCO(s)



Draft budget example:

Promotion Campaign for local products

	Budget item	Cost*	SCO	Approach
Costs	Kick-off meeting	5,000	Lump sum 1 = 20,000	Milestone 1 – delivery of the report X
	Data collection	10,000		
	Report preparation	5,000		
	Marketing campaign design	5,000	Lump sum 2 = 43,000	Milestone 2 – execution of marketing campaign and evaluation study
	Marketing campaign execution	20,000		
Off-the-shelf SCO	Evaluation study	5,000	Lump sum 2 = 43,000	Milestone 2 – execution of marketing campaign and evaluation study
	Staff (20%)	10,000		
	Office and admin (15%)	1,500		
	Travel and accommodation (15%)	1,500		
	Total	63,000	63,000	

No verification of individual amounts

Management verification is based on the milestones

Total lump sum



Umbrella projects in Poland: example of Podlaskie region

Andrzej Pleszuk, Director

Department of Agriculture and Rural Development

Podlaskie Marshall Office

Małgorzata Dudzińska, Director

FLAG "Suwalsko-Augustowskie Lake District".

Implementation system in Poland 2014-2020

- National Managing Authority
 - set general implementation framework and rules
- Regional self-government bodies (Marshall Offices)
 - played the role of Intermediate Bodies
 - direct contact with LAGs
 - eligibility check and approval of operations selected by the LAG
 - signing of contracts with beneficiaries
- LAGs
 - develop and monitor local strategy
 - launch calls for projects
 - select projects

Umbrella projects (called "grant projects" in PL) funded from EAFRD or EMFF

- LAG is the formal beneficiary and signs contract with the IB
- general objectives and types of activity envisaged already in the local strategy
- LAG launches call, selects and approves projects, signs contract with local actors who implement the activity

=> one operation covering **several small projects**

- Eligible entities: individuals, NGOs, municipalities etc. (no economic activity)
- Funding: between ca. EUR 1200 and EUR 12.000, aid intensity – up to 100%

The process (Podlaskie grant project 2019)

- Only one LAG using EMFF: Suwałki-Augustów FLAG
- Envisaged a "grant project" in its LDS, for ca. EUR 30.000, focusing on **civic dialogue and involving people and organisations in the public sphere**
- Launched a call for small projects of ca. EUR 1200 – 2500, aid intensity 50-85%
- Local project promoters could submit ideas till 31 January 2019
- FLAG submitted an application for the whole operation to the regional IB
 - general outline of planned activities and financial plan
- IB assessed and approved the application and signed contract with the FLAG on 4 July 2019

The process (cont'd)

- FLAG signed agreements with 13 local actors to implement their small-scale activities
- They implemented their projects and submitted financial reports
- FLAG checked the reports and implementation, and paid beneficiaries
- FLAG submitted report from the whole umbrella project to the IB
- The IB checked the report and paid the FLAG
- The FLAG was responsible for achieving outputs and results and maintaining sustainability

Examples of projects supported

- Nowinka municipality: "Woodcutter's Fish" – series of activities including competition, exhibition and fish festival to raise awareness of the importance of fisheries and fishing tradition for the area



Examples of projects supported

- Suwałki municipality: Fish Picnic – culinary workshop, competition for the "most tasty dish from fish" and quiz about the area



Examples of projects supported

- Local association of social education: "Eye to eye with the fish" – an open air event including educational and culinary classes as well as cleaning the coastline around Gieret Lake



Financial settlement of the grants

- Most activities carried out in the **summer of 2019**
- there were no advance payments
- FLAG reimbursed the cost of the grants from its own funds
- The application for payment was submitted on November 22, 2019
- Application for payment was approved on July 20, 2020



Thank you for your attention

Key points...

Advantage

- Draft budgets can be applied to a wide variety of projects. There are no restrictions regarding work packages, activities and cost categories
- By setting milestones as payment triggers, the entire cost verification effort is eliminated after approval

Disadvantage

- requires significant resources at MA / beneficiary level for relatively small amounts < 200,000 total costs

Application

- Austria uses draft budget for the implementation of LEADER projects up to a total cost of EUR 100,000



Simplification “clinics”

Ask all you need to know!

Room 5.3 – The Garage

- **Unit costs (for staff costs) & flat rates (for mission expenses), France**

Room 5.2 – The Arty District

- **Lump sum for LAG Running costs, Denmark**

Room 5.5 – The Wood Manufacture

- **Lump sum for Draft Budget (LEADER projects), Austria**

Plenary (Room 5.4)

- **Simplifying delivery to CLLD beneficiaries, Poland**