

Simplified Cost Options - Forms of support, eligibility and Union contribution



Common Provisions Regulation

Forms of support

- 1. Forms of Union contribution**
- 2. Forms of support by Member States**
- 3. Forms of grants, incl. simplified cost options**

Forms of Union contribution to programmes (Article 46 CPR)

- **NEW! Harmonisation** with Article 125 of the Financial Regulation for the 7 Funds covered by the CPR
- **NEW! Commission – Member States: financial arrangements clarified** and structured along three different forms:
 - Reimbursement of **eligible costs actually incurred** by beneficiaries or the private partner of PPP operations **and paid** in implementing operations;
 - **Extended: Simplified cost options** (SCOs), i.e.: unit costs, lump sums and flat-rate financing → Article 88
 - **New: financing not linked to costs** of the operations and based on the fulfilment of conditions or achievement of results → Article 89
 - **Enhanced clarity: A combination** of these forms

Forms of support by Member States (Article 47 CPR)

Establishes the forms of reimbursement from the programme to the beneficiary (beneficiary level):

- grants
- financial instruments
- prizes or
- a combination thereof

Repayable assistance - not identified as a separate form of support

Forms of grants (Article 48 CPR)

- 2021-2027 proposals draw extensively on the Omnibus
- Real cost-based reimbursement, simplified cost options and combination of forms of support
- **Extended:** the obligatory use of SCOs for operations with a **total cost of up to EUR 200 000**
- Methods to establish amounts for the SCOs :
 - Threshold for the draft budget raised to EUR 200,000
 - Other Union policies' SCOs or national SCOs easier to use: for similar type of operation, irrespective of type of beneficiary
 - Flat-rates and methods in the CPR or fund-specific rules
 - Fair, equitable and verifiable calculation methods

Flat-rate financing for indirect costs (Article 49 CPR)

- A flat rate of up to 15% of eligible direct staff costs (no calculation needed)
- A flat rate of up to 25% of eligible direct costs, on the basis of fair, equitable and verifiable calculation method
- **New:** A flat rate of up to 7% of eligible direct costs was introduced (no calculation needed)
- **New:** A flat rate established for 2014-2020, can be applied for similar operations

Direct staff costs (Article 50 CPR)

- A flat rate of up to 20% of the direct staff costs (no calculation needed) with the exception:
 - **Clarified:** the public works contracts which exceed the threshold set out in Article 4 of Directive 2014/24/EU
 - **New:** supply or service contracts which exceed the threshold set out in Article 15 of Directive 2014/25/EU
- **New:** Additional method for calculating an hourly rate by dividing the latest documented monthly gross employment costs by monthly working time
- **Continued:** The total number of hours declared per person cannot exceed the number of hours used for the calculation of that hourly rate
- When necessary, the annual gross employment costs may be derived from the available, relevant documents, e.g. contract of employment
- **Continued:** Provisions on the part-time assignment

Flat-rate financing for eligible costs other than direct staff costs (Article 51 CPR)

- A flat rate of up to 40% of the eligible direct staff costs may be used to cover the remaining eligible costs of an operation (no calculation needed)
- **Extended to cover all Funds:** the flat rate does not cover salaries and allowances paid to participants – these come on top
- **Continued:** the flat rate cannot be applied to direct staff costs already calculated by flat rate

Eligibility

- 1. General rules on eligibility**
- 2. Non eligible costs**
- 3. Specific eligibility rules for grants**

Eligibility (Article 57 CPR) 1/2

- **The general rule is continued:** Eligibility rules determined on the basis of the national rules (except for the specific EU rules)
- Eligibility period from 1 January 2021 or the submission of programmes (earlier date) until 31 December 2029
- Clarifications for SCOs as regards the eligibility period and eligible expenditure
- **New:** deleting most of the limitations on location of operation:
 - Operations may be located outside the Member State or the Union provided they contribute to programme objectives
- Operations physically completed or fully implemented before submitting the application for funding cannot be selected

Eligibility (Article 57 CPR) 2/2

- Expenditure that becomes eligible as a result of a programme amendment:
 - **New:** a new expenditure = a new type of intervention added in the programme for all the Funds, except for the ESF+
 - Eligibility periods starts from the date of submission of the request
 - **Continued:** Expenditure related to natural disasters eligible from the date of occurrence
- *Pro-rata* financing of operations jointly financed by the Funds and/or by the other Union instruments

Non-eligible costs (Article 58 CPR)

- Continuation with provisions on interest on debt and purchase of land
- **New:** No distinction between recoverable/non-recoverable VAT:
 - VAT eligible for operations with total cost below EUR 5 million
 - VAT not eligible for operations with total cost of EUR 5 million and higher.

Specific eligibility rules for grants (Article 61 CPR)

**Continuation with 2014-2020 rules on contributions
in kind and depreciation costs for 2021-2027**

Content

Rules for Union contribution (Articles 88-89)

Reimbursement of eligible expenditure: unit costs, lump sums, flat rates – COM-Member State – Article 88(I)

- Commission may reimburse Union contribution to programmes based on simplified cost options (Article 46)
- Member States may submit a proposal to COM defining SCOs as set out in Appendix I of Annex V as part of the programme or of a request for its amendment.
- The amounts and rates proposed to be established on the basis
 - (a) ***fair, equitable and verifiable calculation method***, based on (i) statistical data, other objective information or an expert judgement; (ii) verified historical data; (iii) the application of usual costs accounting practices;
 - (b) ***draft budgets***;
 - (c) ***the rules on corresponding unit costs and lump sums applicable in Union policies for a similar type of operation***;
 - (d) ***the rules on corresponding unit costs and lump sums applied under schemes for grants funded entirely by the MS for a similar type operation.***

Reimbursement of eligible expenditure: unit costs, lump sums, flat rates – COM-Member State – Article 88(II)

- **Commission decision** on the programme to set out the types, definition and the amounts of operations covered
- Member State to use one of the forms of grants in Article 48(1) to support operations covered (MA-beneficiary level support)
- Audits will exclusively aim at verifying that the conditions for reimbursement by COM have been fulfilled.
- Empowerment to adopt a **Delegated Act** to supplement this Article for EU level Simplified Cost Options

Financing not linked to costs - Article 89 (I)

COM – Member State

- Stems from Article 125 FR *new*
- Member State to submit a proposal to the Commission as set out in Appendix 2 of Annex V as part of the programme or of a request for its amendment.
- The proposal needs to contain all these elements:
 - (a) *priority concerned and amount*
 - (b) *description of the conditions to fulfil or results to achieve, and a timeline;*
 - (c) *intermediate deliverables;*
 - (d) *measurement units;*
 - (e) *schedule and amounts linked to progress;*
 - (f) *arrangements for verification of intermediate deliverables, achievements, results..*
 - (g) *method for adjustment of the amounts and*
 - (h) *audit trail arrangements.*

Financing not linked to costs - Article 89 (II)

COM – Member State

- Commission decision approving all these required elements
- Member States to use one of the forms of grants in Article 48(1) to support operations covered (MA-beneficiary level support)
- Audits will exclusively aim at verifying that the conditions for reimbursement by COM have been fulfilled.
- Empowerment to adopt a Delegated Act to supplement this Article for financing not linked to costs

Thank you for your attention!