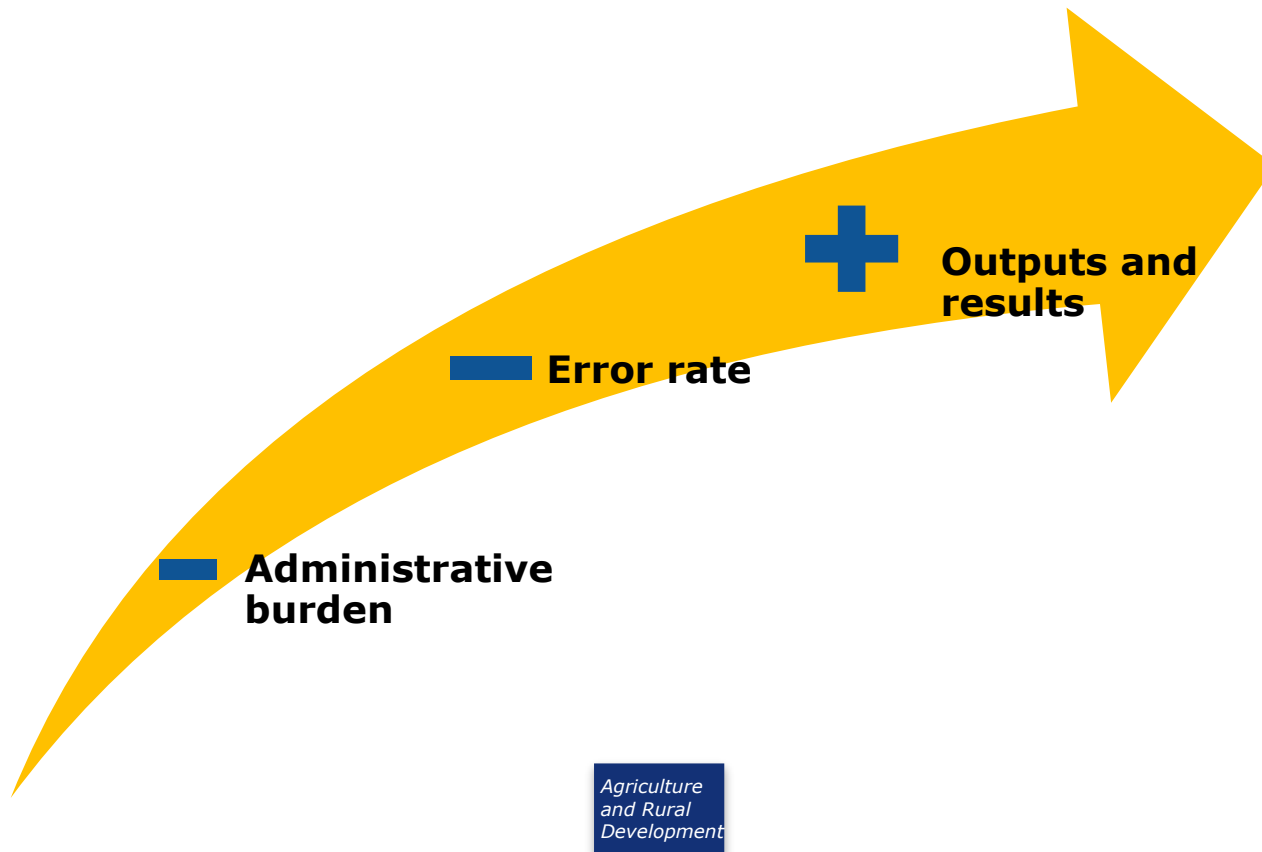




Simplified Cost Options in EAFRD

26th February 2015
DG Agriculture and Rural Development
DG Employment
European Commission
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Why should you use SCOs?





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Simplified Cost Options

Flat rate financing

Art.67d) CPR

Standard scales of unit costs

Art.67b) CPR

Lump sums

Art.67c) CPR



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Simplified Cost Options

Flat rate financing

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From a real cost system...

Costs fully justified on a real costs basis

Training costs for 7 certified trainees

Direct costs = 6.000 €

1. Personnel cost	5.000
Internal personnel – remuneration	3.500
Int. pers. - transport home/work	200
Internal personnel – travel costs	300
External personnel – remuneration	1.000
External personnel - travel costs	0
2. Product develop and consumption	1 000
Non depreciable consumption goods	200
Publicity	150
Organisation costs	650
Other costs	0

Indirect costs = 1 000 €

Personnel costs (management)	350
Equipment and immovable goods (depreciation)	25
Internal administration, accountancy, management	120
General doc. and publicity for courses & structure	65
Office supplies	110
Telephone, post, fax	20
Taxes and insurance	150
Movable material (depreciation)	85
Immovable goods	0
External accountancy costs	75
Other costs	0

Total costs : 6.000 + 1.000 = 7.000€

...to a calculated flat rate for indirect costs

Costs fully partly justified on a real costs basis

Training costs for 7 certified trainees

Direct costs = 6.000 €

1. Personnel cost	5.000
Internal personnel – remuneration	3.500
Int. pers. - transport home/work	200
Internal personnel – travel costs	300
External personnel – remuneration	1.000
External personnel - travel costs	0
2. Product develop and consumption	1 000
Non depreciable consumption goods	200
Publicity	150
Organisation costs	650
Other costs	0

Total costs : 6.000 + 1.020 = 7.020€

Indirect costs

**Analysis of historical data
(calculation method to be
justified):**

**indirect costs = 17% of direct
costs**

6.000 x 17% = 1.020€

...to a calculated flat rate for indirect costs

Costs fully partly justified on a real costs basis

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Non depreciable consumption goods	200
Publicity	150
Organisation costs	650
Other costs	0

Total costs : 6.000 + 675 = 6.675€

Indirect costs

Use of article 68 (1) (b)

*indirect costs = 15% of **direct staff costs***

4.500 x 15% = 675€



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Simplified Cost Options

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Art.67d) CPR

**Standard scales of
unit costs**

Art.67b) CPR

Lump sums

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From a real cost system...

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Total costs : 6.000 + 1.000 = 7.000€

... to standard scales of unit costs

Costs fully justified on a ~~real-costs~~ calculated basis

Training costs for 7 certified trainees

Unit cost

A training costs **1,000€** per person completing the training

Output foreseen

7 people will follow the training = a total of 7 persons completing the training

Maximum expenditure

7 persons x 1,000€ = **7,000€**

Output achieved

1 trainee dropped-out at the middle of the course = **6 persons trained**

Expenditure declared

6 persons trained x 1,000€ = **6,000€**



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Simplified Cost Options

Flat rate financing

Art.67d) CPR

**Standard scales of
unit costs**

Art.67b) CPR

Lump sums

Art.67c) CPR

From a real cost system...

Costs fully justified on a real costs basis

Training costs for 7 certified trainees

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Total costs : 6.000 + 1.000 = 7.000€

...to a lump sum

Costs fully justified on a ~~real costs~~ calculated basis

Training costs for 7 certified trainees

Output foreseen

The training takes place



Lump sum

the training is expected to cost **7,000€**



Maximum expenditure

training = **7,000€**



Output achieved

(1) The training takes place

(2) Only a part of the training takes place or not at all



Expenditure declared

(1) Training = **7,000€**

(2) A part of the training or no training = **0€**

**Max: 100,000 EUR
public contribution !**

What are the calculation methods ?



Ex ante evaluation

Fair, Equitable and Verifiable method



Ex ante evaluation

Fair, Equitable and Verifiable method

- **Statistical data or other objective information**
- **The verified historical data of individual beneficiaries**
- **The application of the usual cost accounting practices of individual beneficiaries**

What are the calculation methods ?



Ex ante evaluation

Fair, Equitable and Verifiable method

Use of existing EU schemes

(for similar type of operation and beneficiary)

Use of existing own national schemes

(for similar type of operation and beneficiary)

Use of specific rates and methods from the CPR and Fund specific regulations



Use of specific rates and methods from the CPR and Fund specific regulations

- **Article 68(1) (b) CPR:** flat rate of up to 15% of eligible direct staff costs for indirect costs
- **Article 68(2) CPR:** the hourly rate can be calculated by dividing the latest documented annual gross employment costs by 1 720 hours
- **Article 19 EAFRD:** lump sum up to 70.000€ for business start-up aid in rural areas
- **Article 27 EAFRD:** flat rate of up to 10% of the marketed production for setting up of producer groups.
- **Area and animal related payments:** standard scale of unit costs with ex-ante fair, equitable and verifiable calculation

What are the calculation methods ?



Ex ante evaluation

Fair, Equitable and Verifiable method

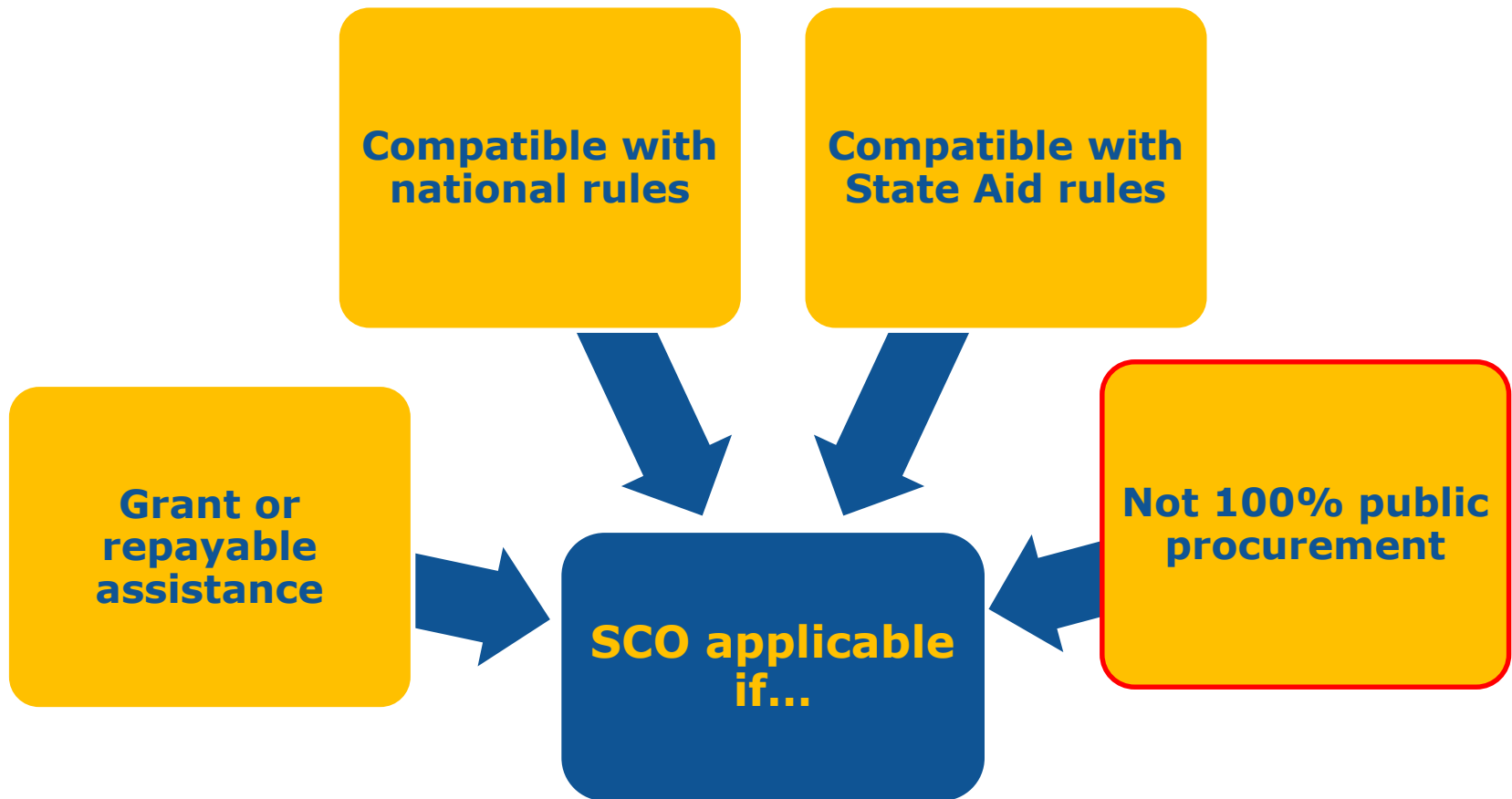
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(for similar type of operation and beneficiary)

Use of existing own national schemes

(for similar type of operation and beneficiary)

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SCO in the Rural Development Programmes

Indicative list of (sub)measures

M1	Knowledge transfer and information actions
M3	Quality schemes for agricultural products and foodstuff
M4	Investments in physical assets
M5	Restoring agricultural production potential
M6.4	Investment in creation and development of non-agricultural activities
M7	Basic services and village renewal in rural areas
M8	Investments in forest area development
M10.2	Genetic resources in agriculture
M15.2	Genetic resources in forestry
M16	Cooperation
M19	Leader
M20	Technical assistance

Information in the RDP...

<p>Section 8 Description of the measures</p>	<p>Eligible costs</p> <p>Amounts and support rates</p> <p>Methodology for the calculation of amount or support rate</p>	<p>List of eligible costs, including explicitly those under the SCOs</p> <p>Final amounts resulting from the calculations for the establishment of SCO</p> <p>Legal provision under which the methodology is developed, i.e. Art 67(5)(a)-(e), Art 68(1)(a)-(c)</p>
<p>Section 15 Programme implementing arrangements</p>	<p>Description of actions to achieve a reduction of administrative burden for beneficiaries</p>	<p>Information of the type of SCOs and measures</p>
<p>Section 18 Ex ante assessment of verifiability, controllability and error risk</p>	<p>Statement confirming the adequacy and accuracy of calculation by an independent body</p>	<p>Only for SCO developed under Art 67(5)(a)</p>



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What about audit of SCOs?

A few figures about audit of SCOs

ECA – DG EMPL discharge exercise of 2012:

- 26% of the ESF transactions were using SCOs
- 0 error linked to the use of SCOs

"The Court recommended [...] that the Commission should extend the use of lump sum and flat rate payments instead of reimbursing 'real costs' in order to reduce the likelihood of error and the administrative burden on project promoters. [...] Projects whose costs are declared using SCOs are less error prone.

Thus a more extensive use of SCOs would normally have a positive impact on the level of error"

What is being checked, and where?

Managing Authority

- **Check of the methodology** (including compliance with State aid rules)
- **Verification of the supportive documents** (also at beneficiary level)

Beneficiary

- **Check of the application of the methodology**
- **No verification of the underlying real costs**

For more information on SCOs

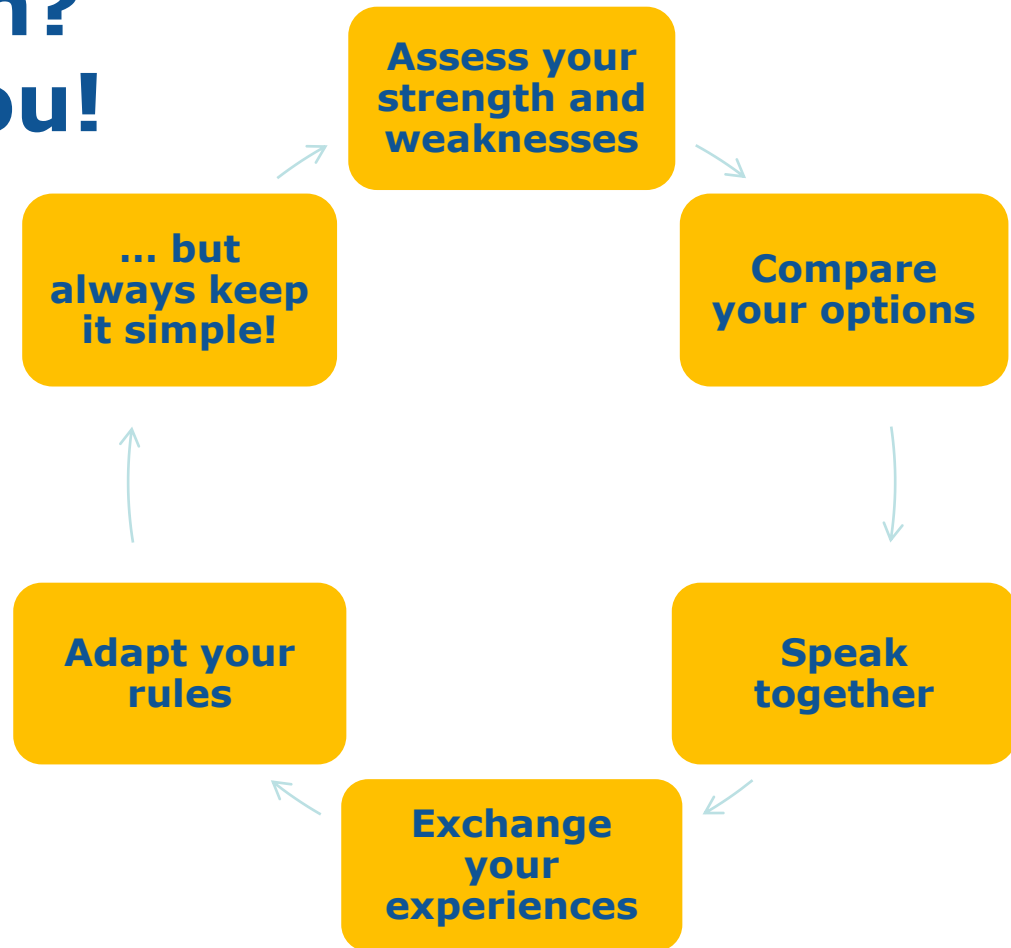
Please refer to:

- The Guidance on Simplified Cost Options – EGESIF_14-0017 (finalized in September 2014)

And a case study:

- The implementation of SCOs in Italy with ESF 2007-2013 (to be found on the EU Bookshop website)

Simplification? It's up to you!





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Thank you!