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Independent Consultant & Visiting Expert EIPA
Financial Management

- Europe 2020 and programming rules
- budget and allocations
- Programme finance, financial tables
- co-financing arrangements
- financial flows: commitments, advances, interim payment claims and payments
- n+3
- the new accounting year
- forecasts
- programme closure
- transfer of financial information
- categorisation of interventions
Financial Management

Europe 2020 strategy and programming rules
Partnership agreement

Partnership Agreement
Consistent with Europe 2020, CSF, NRP and Country-specific recommendations
(on basis of disparities, needs, challenges, potential)

€

Thematic objective 1
- ERDF – € and results expected

Thematic Objective 2
- Cohesion Fund – € and results expected
- EAFRD – € and results expected

ESF

ERDF

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## Thematic objectives and ESI funds, 2014-2020

<table>
<thead>
<tr>
<th>Thematic Objective</th>
<th>Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Strengthening RTD and innovation</td>
<td>ERDF</td>
</tr>
<tr>
<td>2. Enhancing ICT access, use quality</td>
<td>ERDF, EAFRD</td>
</tr>
<tr>
<td>3. Enhancing competitiveness of SMEs</td>
<td>ERDF</td>
</tr>
<tr>
<td>4. Shift to low-carbon economy</td>
<td>ERDF, CF, EAFRD</td>
</tr>
<tr>
<td>5. Promote climate change adaptation and risk prevention</td>
<td>ERDF, CF, EAFRD</td>
</tr>
<tr>
<td>6. Protecting the environment and sustainable use of resources</td>
<td>ERDF, CF, EAFRD</td>
</tr>
<tr>
<td>7. Promoting sustainable transport and removing bottlenecks in network infrastructures</td>
<td>ERDF, CF</td>
</tr>
<tr>
<td>8. Promoting employment and labour mobility</td>
<td>ESF, ERDF</td>
</tr>
<tr>
<td>9. Promote social inclusion and combat poverty</td>
<td>ESF, ERDF, EAFRD</td>
</tr>
<tr>
<td>10. Investing in education, skills, lifelong learning</td>
<td>ESF, ERDF</td>
</tr>
<tr>
<td>11. Enhancing institutional capacity and efficient public administration</td>
<td>ESF, ERDF, CF</td>
</tr>
<tr>
<td>OP</td>
<td>CSF Fund</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>OP1: Competitiveness through innovation and company growth</td>
<td>ERDF</td>
</tr>
<tr>
<td>OP2: Infrastructure</td>
<td>ERDF</td>
</tr>
<tr>
<td></td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CF</td>
</tr>
<tr>
<td>OP3: Human Resources</td>
<td>ESF</td>
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<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ERDF</td>
</tr>
</tbody>
</table>
Thematic concentration

- **EARMARKING** of expenditure for Lisbon themes (Art.9, General Reg.): higher % earmarked in the wealthier Member States and regions (RCE)

- **2014-2020**: higher % of ERDF into “softer” themes in more developed regions:
  - at least 80% on 2 or more of 4 thematic objectives (1-4) in more developed regions (and higher % for low carbon economy)
  - at least 50% in less developed regions

- ESF must be at least 23.1% of MS Funds for Cohesion policy and ESF share of total Funds not lower than 2007-13 share (Art. 92.4, CPR)
  - at least 20% of ESF on social inclusion/poverty in each MS
  - higher % of ESF in to 5 or fewer investment priorities in more developed regions (at least 80%); (at least 60% in less dev. regions)

- ie. more flexibility for poorer regions
<table>
<thead>
<tr>
<th>Thematic Objective</th>
<th>Ex ante conditionality</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Strengthening RTD and innovation</td>
<td>National or regional “smart specialisation strategy” / (RIS), consistent with NRP. Measures to stimulate private RTDI.</td>
</tr>
<tr>
<td>2. Enhancing ICT access, use quality</td>
<td>Policy framework for digital growth / next generation network (NGN) plans</td>
</tr>
<tr>
<td>3. Enhancing competitiveness of SMEs</td>
<td>Laws covering late payments, business set-up time and burdens on SMEs (see Small Business Act)</td>
</tr>
<tr>
<td>4. Shift to low-carbon economy</td>
<td>Transposition into law of Directives on emissions, energy performance and efficiency and renewable energies</td>
</tr>
<tr>
<td>5. Promote climate change adaptation and risk prevention</td>
<td>National or regional risk assessments for disaster management</td>
</tr>
<tr>
<td>6. Protecting the environment and sustainable use of resources</td>
<td>Water pricing policy for efficiency; river basin plans; waste management plans, recycling measures</td>
</tr>
<tr>
<td>7. Promoting sustainable transport and removing bottlenecks in network infrastructures</td>
<td>Plans for transport investment, linking to TEN-T; and with secondary connectivity; smart energy infrastructure plans</td>
</tr>
<tr>
<td>8. Promoting employment and labour mobility</td>
<td>Employment services to help job seekers; information on vacancies; business start-up time and support; worker adaptation measures; youth employment measures etc.</td>
</tr>
<tr>
<td>9. Promote social inclusion and combat poverty</td>
<td>Policy frameworks and measures for active social inclusion, including the Roma community; access to health services; shift from institutional to community-based care</td>
</tr>
<tr>
<td>10. Investing in education, skills, lifelong learning</td>
<td>Plans to reduce early school leaving; increase tertiary education</td>
</tr>
</tbody>
</table>
Cohesion policy and budgets

2014-2020

- €325 billion (2011 prices)
- indexation 2% each year = current prices
- €352 current prices

- national allocations / eligible regions
  (Commission Implementing Decision, 2014/190/EU of 3.4.14 &
   Decision 2014/99/EU)
- allocations limited to 110% of 2007-2013 in real terms
- obligatory performance reserve (6% of each Fund) (Art.
  20,CPR) … and 5-7% of each priority axis.

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Partnership Agreement

- OP1: € ERDF, € by year
  - € Cohesion Fund, € by year
- OP2:
- OP3: € ESF, € per year
  - € ERDF, € per year
- OP4:
- OP...

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Programme Finance, co-financing rates, commitments

OP Decision includes 2 tables

- per year
  - support from each Fund, for each financial year
  - used for commitments
  - initial commitment with Decision
  - subsequent instalments before 1 May each year
  - performance reserve (2019), if milestones achieved

- per priority
  - support from Funds and national co-financing
  - used for payments (co-finance rate)
  - specifies whether based on total or public eligible exp
Co-financing rates and ceilings (Art. 120, CPR)

- Co-financing rate ceiling – by eligible region - is now set at the level of the priority axis (85%-80%) (60%) (50%), rather than programme

- Priority axis co-finance minimum is 20%. These rates are effectively averages for the priority (the rate can vary inside the priority)

- Some exceptions to regional ceilings (+10%) where priority axis delivered through financial instruments or CLLD (community-led local development) (Art. 120, CPR)....

- ...or where MS dedicates priority axis to social innovation or transnational cooperation or combination (Art. 11, ESF reg)

- And crisis exceptions: extra 10% until 30.6.2016 (Art. 24, CPR)

- State aids rules are co-finance limits for company support
### State aid ceilings, 2014-2020

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Large Enterprises</th>
<th>Medium Enterprises</th>
<th>Small Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>107(3)(a) ≤ 45% GDP</td>
<td>50%</td>
<td>+ 10%</td>
<td>+ 20%</td>
</tr>
<tr>
<td>107(3)(a) 45-60% GDP</td>
<td>35%</td>
<td>+ 10%</td>
<td>+ 20%</td>
</tr>
<tr>
<td>107(3)(a) 60-75% GDP</td>
<td>25%</td>
<td>+ 10%</td>
<td>+ 20%</td>
</tr>
<tr>
<td>Outermost, GDP &gt; 75% GDP &lt; 75%</td>
<td>+ 10% + 20%</td>
<td>+ 10%</td>
<td>+ 20%</td>
</tr>
<tr>
<td>107(3)(a)⇒(c) transition &amp; 107(3)(c) bordering</td>
<td>Below +</td>
<td>+ 10%</td>
<td>+ 20%</td>
</tr>
<tr>
<td>107(3)(c) sparsely populated</td>
<td>15%</td>
<td>+ 10%</td>
<td>+ 20%</td>
</tr>
<tr>
<td>107(3)(c) external borders</td>
<td>15%</td>
<td>+ 10%</td>
<td>+ 20%</td>
</tr>
<tr>
<td>107(3)(c) other econ. dev.</td>
<td>10%</td>
<td>+ 10%</td>
<td>+ 20%</td>
</tr>
</tbody>
</table>

Financial Management

Pre-financing / Advances
Payments and expenditure flows, 2007-2013 and 2014-2020

<table>
<thead>
<tr>
<th>COMMISSION</th>
<th>ADVANCE</th>
<th>€</th>
<th>CLAIM</th>
<th>REFUND</th>
<th>€</th>
</tr>
</thead>
<tbody>
<tr>
<td>CERTIFYING AUTHORITY</td>
<td>€</td>
<td>CHECK</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NATIONAL BUDGET</td>
<td>±</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MANAGING AUTHORITY</td>
<td>±</td>
<td>CHECK</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BENEFICIARY</td>
<td>€</td>
<td>CLAIM</td>
<td>±</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FINAL RECIPIENT</td>
<td>€</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
2007-2013: advances available for whole period

- initial advance is paid after the first commitment (2007)
- 2\textsuperscript{nd} and 3\textsuperscript{rd} part of 2007-2013 advance in subsequent years (2008, 2009). (total = 5\% or 7\%)
- advances were increased, due to the financial crisis (2009, 2010 for some)
- advance available during the whole life of the programme (counts as interim payments, against n+3 / n+2)
- has to be spent by end 2015
- n+3 has now been specially extended to Romania and Slovakia, for 2011, 2012 commitments, but not the 2013 commitment
2014-2020: initial advances available for whole period

- initial pre-financing (advances) of 1% for 2014, 2015, 2016, (Art. 134,CPR) (higher for crisis countries)
  - % of total funds, less performance reserve
  - ...should be used ONLY for helping beneficiaries (Art.81, CPR)

- n+3 rule for all – initial pre-financing counts as payments (Art. 136,CPR) - but no derogation for major projects and state aid schemes

- available for whole programme - must be spent (accounted for) by end 2023 and thus cleared at final closure (Art.82, CPR)
Annual advances available only for accounting year

- plus annual pre-financing (or advances) 2016 to 2023
  - % of total funds (less performance reserve)
  - 2% for 2016, rising each year to 3% (2020); 3% for 2021 to 2023
  - paid before 1 July each year

- designed to assist with annual accounting and the change to interim payments (just 90% of payment claims)

- they do count as expenditure against the n+3 automatic decommitment rule...

- …but they must be accounted for (cleared) each year - in effect by end of accounting year - so they are not available for the whole programming period (Art.139.7, CPR)
Financial Management

Automatic de-commitment
n+2/n+3 amendment – add one-sixth of 2007 commitment to each year of 2008-2013

NB: colours represent the annual commitments (2007, 8, ..., 12, 13), and their positioning is when they must be used by.
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Interim payments
Interim payment claims, 2007-2013

- most recent Annual Implementation Report must have been sent and considered admissible (by 30 June each year)

- reimbursement of actually paid and certified eligible expenditure

- payments are attributed to the oldest valid annual commitment: you start to consume a commitment only when the previous valid commitments are entirely consumed (used for n+2/3 rule)

- maximum amount: initial instalment + interim payments < 95% of the total contribution (the 5% being retained until the closure)
Interim payment claims, 2014-2020

- most recent Annual Implementation Report must have been sent and considered admissible: by 31 May 2016 – 31 May 2023
- total eligible expenditure incurred by beneficiaries, paid for implementing operations, and entered into the CA accounting system (Art.131, CPR)
- attributed to oldest open commitment
- the 95% cumulative limit of advances plus interim payments is scrapped
- Art 126 (a) certification of expenditure of every payment claim (and not just annual accounts)
Interim payment claims, 2014-2020

- payment = eligible expenditure × priority co-finance rate
- but not higher than eligible public expenditure in claim (Art. 130(2))
- (and can not exceed eligible expenditure less in-kind contributions)(Art.69.1(a))

- beneficiaries are to be paid no more than 90 days after payment claim (Art.132, CPR)

- **Note**: performance review: allocation of performance reserve, if milestones (2018) are achieved for the priority axis (see AIR, 2019); or allocated to other priorities
Financial Management

The new accounting year
Accounts, 2014-2020

2014-2020: only 90% paid over for each interim payment claim (Art.130,CPR)

new accounting year 1 July to 30 June

all claims relating to accounting year (n) to be made by 31 July; annual clearance of accounts (the end of multi-annual accounts)

annual balance paid on acceptance of accounts (the 10%, less the annual advance)(Art. 139,CPR) – so could be recovery of funds

annual accounts to be submitted by 15 February (in year n+1), with management declaration, annual summary, (A)CR and OPINION

Commission acceptance by 31 May; balance paid within 30 days
Accounts Cycle

**Accounting year**

1 Jul N-1

30 Jun N

Dec N-1

Dec 15 Feb (1 N Mar) N+1

31 May N30 Jun N+1

**Final interim payment application**

**Examination and acceptance of accounts**

**Preparation of the accounts covering the accounting year, management declaration + accompanying report incl. annual summary, audit opinion+ (annual) control report**

1 Jan 2014 for first accounting year

Additional actions if needed
Annual accounts – level of priority axis (Art. 137, CPR)

By priority (and Fund and region if applicable):

- total eligible expenditure by beneficiaries (until 30 June) AND which has been included in payment applications up to 31 July;
- with corresponding public expenditure incurred;
- and corresponding payments made to beneficiaries;
- amounts withdrawn/recovered/to be recovered, and irrecoverable amounts;
- pre-financing paid to FEI and advances under State aid schemes;
Accounts – time lags?

- Some claims may be delayed: Article 135.1: the CA may – where it considers it necessary – include amounts entered into the accounting system in payment applications in subsequent accounting years.

- Some claims already made may be excluded from the accounts (Art. 137.1(d)) – explain difference between sum declared in accounts and that already claimed.

- Some sums need to be reclaimed: (Art. 137.2) where CA has excluded expenditure from accounts – previously included in an interim payment claim – due to an on-going assessment on legality and regularity, it may include all/part in a future payment application if found to be regular (due to annual balance taking back payments).
Examination and acceptance of accounts (Art. 139, CPR)

- an accounting process NOT covering legality and regularity of underlying transactions
- based on the Commission assessment of the accounts and the related audit opinion
- (legality and regularity of expenditures is assessed on the basis of the remaining documents: MD, AS, CR and audit opinion)

- accounts procedure will NOT interrupt the treatment of interim payment applications nor lead to payment suspensions

- Note: in worst cases of problems with accounts – Commission adjusts payments– this does not constitute a financial correction
Examination and acceptance of annual accounts (Art. 139, CPR)

- acceptance based on an unqualified audit opinion on the accounts

- by 31 May, Commission informs MS whether or not it is able to accept the accounts. In case of acceptance (accounts are complete, accurate and true) - calculation of amounts chargeable to the Fund for the accounting year

- balance to be paid in 30 days or deducted through recovery order offset in next interim payment (no net correction)

- ...without prejudice to possible subsequent financial correction decisions
Financial Management

Forecasts
Forecasts

Annual Forecast (Art.76.3 General Reg):
- Member States (Managing Authorities) have to transmit every year to Commission, before 30 April, their forecasts of requests for payment for the current year and for the following year.

Annual Forecast (Art.112.3,CPR):
- Member States (Management Authorities) have to transmit a forecast for the current financial year and the subsequent financial year by 31 January and 31 July.
- Forecasts should use a “bottom-up” approach...
Financial Management

Closure
Key closure dates

Current period: closure documents submitted by 31.3.17 (15 months after last day of eligible expenditure)

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Last day of eligible expenditure: 31 December 2023
Final payment claim: 31 July 2024
Final accounts/CR etc. submitted: 15 February 2025
FIR: 15 February 2025

Acceptance of accounts: 31 May 2025
Final payment: +1 month after acceptance of FIR, or +3 months after acceptance of accounts, whichever later
Financial Management

Information and Data
Electronic transmission of information: SFC 2007 to SFC 2014

- PA
- Allocation by Fund
- Financing plans
- Statements of expenditure
- Payment claims
- Annual reports
- ESF participant data
- Annual forecasts
- Additionality data
- Programmes
- Decisions
- Communication Strategy

- Accounts
- Management declarations
- Annual Summary
- Major project notifications and applications
- Audit strategy
- Control reports
- Audit Opinions
- Annual statement on recoveries (included in Accounts)

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Categorisation of interventions

Data collection & maintenance

- CATEGORIES of INTERVENTION – codes in tables relating to field, financing, territory, theme etc. (Implementing Reg. 215/2014, Annex I)

- Monitoring system project data on all OPERATIONS (Art.125.2(d), CPR and Annex III of Delegated Reg. 480/2014, 3.3.2014), including the categories of intervention as above

- Data on ESF PARTICIPANTS (as above, and Annexes of ESF Reg.)