ANNEX

to the

Commission Decision

authorising the use of unit costs and lump sums for the pilot Joint Action Plan in the framework of the European Social Fund operational technical assistance at the initiative of the Commission
Annex

1. Forms of grants and categories of costs covered

The grants for operations referred to in point 1.2.2 of the 2017 work programme\(^1\) for the operational technical assistance at the initiative of the Commission in the framework of the European Social Fund (ESF) and the Fund for European Aid to the most Deprived (FEAD) ("Call for Proposals on a pilot Joint Action Plan") shall be implemented using one of the following methods of reimbursement:

- Unit costs declared on the basis of outputs and/or results
- Lump sums declared on the basis of outputs and/or results

The unit costs and lump sums shall cover all costs of the action which are

a) staff costs

b) other costs: direct costs such as rent, accommodation, meals, publicity, travel, participants' allowances and indirect costs.

The eligible costs taken into account will be categories of costs that are necessary to implement actions under the investment priorities listed in section 2.2.below. Costs considered as ineligible according to Article 69 of Regulation (EU) No 1303/2013 and Article 13 of Regulation (EU) No 1304/2013 may not be taken into account.

The amounts of the unit costs and lump sums shall be calculated in accordance with the method set out in Point 3.

2. Justification

2.1 Nature of the supported actions

A Joint Action Plan (JAP) is an innovative new delivery mechanism for the European Structural and Investment (ESI) Funds that represents a significant departure from the traditional model of implementation. This is because reimbursement by the Commission to the beneficiary\(^2\) is strictly on the basis of outputs and/or results achieved. However, as JAPs are optional and represent such a radical departure from the principle of reimbursement on the basis of real costs (i.e. costs actually incurred), Member States have so far proven reluctant to engage with the Commission in the process of developing a JAP.

Therefore, the objective of this pilot action is to start strengthening national and regional capacity in Member States for them to prepare, design and implement their own Joint Action Plans (JAP) by sharing experience and then disseminating information derived from the

\(^1\) Point 1.2.2 of the Annex to the Commission Implementing Decision of 2.12.2016 concerning the adoption of the 2017 annual work programme for the operational technical assistance at the initiative of the Commission in the framework of the European Social Fund and in the framework of the Fund for European Aid to the Most Deprived, serving as financing decision C(2016) 7763.

\(^2\) The beneficiary can be any designated public law body in a Member State.
implementation of one or several pilot JAPs. It is expected that this experience would convince further Member States to opt for JAP actions in the future.

The concept of a JAP is very much in line with the Commission’s initiative Budget Focused on Results (BFOR) and the ongoing efforts on simplification for beneficiaries and programme authorities. Lessons learned from the pilot JAP would also facilitate an assessment of the potential and desirability of Joint Action Plans for the post 2020 period.

The pilot JAP will comprise a project or group of projects which are carried out under the responsibility of the beneficiary. The result-orientated approach of the pilot JAP should be supported by an overall intervention logic, which will provide a logical link between the development needs and specific objectives identified, and the content of the pilot JAP. The foreseen project(s) and their envisaged outputs and results should aim to achieve the pilot JAP’s objectives and fulfill the development needs identified.

Outputs are directly produced or supplied through the implementation of such projects. They should be linked to the activities planned and should contribute to the results. The results should report the pilot JAP’s direct effects on participants or entities involved — for example, a change in employment status upon leaving. The results should be linked to the pilot JAP’s objectives.

Outputs and results need to be underpinned by a clear definition. Targets and, where appropriate, milestones should be quantified through the use of indicators.

Example:

**Outputs and results for projects of the pilot JAP may look like this:**

- **Project 1: Provision of individualised pathways for participants (coaching)**
  - **Output:** NEETs under 25 having finished pathway activities
  - **Result:** NEETs under 25 in supported employment or education/training

- **Project 2: Provision of basic skills training**
  - **Output:** NEETs under 25 with ISCED 0, 1 or 2 having finished a basic skills training
  - **Result:** NEETs under 25 who gained an increased ISCED qualification

- **Project 3: Support for entrepreneurship**
  - **Output:** NEETs aged 20-24 in start-up counselling
  - **Result (immediate):** NEETs aged 20-24 who established a start-up
  - **Result (long term):** NEETs aged 20-24 who sustained a start-up for X months

The costs of the JAP will be reimbursed based on a mix of output and result indicators, which will differ between and within proposals. It is possible for some project costs to be reimbursed

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3 A pilot JAP is to be understood as an operation implemented between the Commission and partner bodies under the rules of direct management, based broadly on the rules for implementation of a JAP as set out in Articles 104 – 109 of Regulation (EU) No 1303/2013. The scope excludes the provision of infrastructure.

4 A person Not in Employment, Education or Training

primarily based on outputs, and for others to be reimbursed primarily based on results, or a combination of both.

The Commission has set out the objectives of this action within its above work programme for 2017. In their proposals, the Commission expects applicants\textsuperscript{6} to clearly state the foreseen outputs and results of the pilot JAP as well as:

- an analysis of the development needs and objectives justifying it,
- the general and specific objectives of the pilot JAP,
- the indicators used to monitor outputs and results,
- information on the target groups and geographical coverage,
- the expected implementation period and
- details on how the planning, development and implementation of the pilot JAP will be evaluated, including how to inform and share experiences with other Member States.

Furthermore, applicants will need to provide a detailed calculation and explanation of the overall budget required to implement the action in order to verify (i) that only eligible categories of costs are feeding into the calculation of the unit costs or lump sums as stipulated under point 1 and 4 and (ii) that the method for calculating the unit costs and lump sums proposed by the applicant complies with the principles of no profit, co-financing and no double financing.

The established overall budget will need to be broken down into expected outputs and results. Payments from the Commission will be linked solely to achieving the agreed outputs and results.

2.2 Scope of the supported actions

Actions shall support the achievement of a Member State’s Country Specific Recommendations relevant to the investment priorities listed under Article 3(1)(a) to (c) of Regulation (EU) 1304/2013 and, in addition, the Commission’s policy initiatives relating to Long Term Unemployment, Youth Unemployment, Integration of Migrants and the Skills Agenda.

Given the breadth of possible actions which this call can cover, it is not possible to standardise the actions and the related costs in advance (also given the variation between regions and Member States in cost).

2.3 The risks of irregularities and fraud and costs of control

The risk of fraud or irregularity is limited since the proper implementation of the action is verified in a consistent way. Outputs and results achieved will be verified by the Commission (desk review) before reimbursement.

\textsuperscript{6} Applicants (Lead and co-applicants) must be legal entities properly established and registered in one of the EU Member States; Lead applicants must be national, regional or local public bodies, including public universities or educational institutions.
The proposals are assessed during the evaluation phase of the call, including the amount corresponding to each output or result. The methodology to determine the amounts must be in line with the Financial Regulation as described under point 3, and this will be verified during the evaluation. These methods may be accepted by the Commission if the amounts obtained by applying those methods represent a reliable proxy of the actual costs. The amount to be reimbursed will depend on the outputs and/or results reported, and the actual achievement of the reported outputs/results will be verified ex post.

Beneficiaries will furthermore need to contribute to the dissemination and communication of results. An ongoing dialogue with the Commission on qualitative aspects of the projects implementation will further reduce the risk of fraud or irregularity.

Finally, the use of Simplified Cost Options (SCOs) significantly reduces the cost of control compared to a system based on real costs as the number of supporting documents to be verified is much lower when SCOs are used. The Commission will use its experience of verifying proposals from Member States for unit costs and lump sums for inclusion in a Delegated Regulation under Article 14(1) of Regulation (EU) No 1304/2013 in carrying out assessments of the amounts and methodologies used for proposing lump sums and unit costs.

3. Method to determine the unit costs and lump sums

Payments to the beneficiaries are solely based on outputs and/or results. The respective unit costs or lump sums are calculated based on information provided by the applicant and assessed by the Commission during the evaluation process.

The proposal from the beneficiary will set out all the activities envisaged. These activities will be accompanied by expected outputs and/or results with targets and milestones (if applicable). Each expected output or result should have a corresponding estimated amount, based on either unit costs or lump sums. The estimated amounts used to calculate unit costs or lump sums based on outputs may be established as follows:

3.1 Establishing the value of estimated costs

For the purpose of defining the estimated staff costs the following conditions must be satisfied:

(a) Direct staff costs

These costs correspond to the sum of the basic salary, other statutory costs, social security contributions and taxes on wages as well as pension contributions.

- Other statutory costs

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These costs cover additional pays in form of statutory benefits linked to specific functions, responsibilities and/or conditions, as well as specific salary components that are not paid on a monthly basis (e.g. Christmas or holiday allowances, additional month's pay at the end of the year, etc.). Due to the diversity of national legislative conditions for remunerating personnel, it is not possible to give an exhaustive list of eligible cost components. In principle these costs can be included where they are in line with the beneficiary's usual policy on remuneration and in compliance with national legislation.

However, non statutory, non-mandatory and discretionary premiums or bonuses are not eligible.

- **Social security contributions and taxes on wages**

These costs cover the employer's social contributions such as insurance contributions, payments for healthcare, labour disability, unemployment and taxes on wages.

- **Pension contributions**

These costs cover the employer's pension contributions, including those for early retirement, but excluding provisions paid to pension funds, reserves, etc.

**Direct staff costs** shall be calculated by using one of the methods below:

- ✔ statistical data or similar objective means;
- ✔ certified or auditable historical data of the applicant;
- ✔ the usual cost accounting practices of the applicant:

Being calculated on the basis of statistical data or similar objective means the following unit costs, flat rates or lump sums can also be used to establish the value of direct staff costs for the purposes of the pilot JAPs:

- existing unit costs or lump sums in Commission Delegated Regulation 2015/2195 (as amended) for similar operations;
- scales of unit costs, flat rates and lump sums applicable in Union policies for a similar type of operation and beneficiary.

Where the staff costs are calculated by reference to the **usual cost accounting practices** of the applicant, the Commission may accept the estimated value of such costs provided the following conditions are fulfilled:

(i) the cost accounting practices used constitute the applicant's usual cost accounting practices and are applied in a consistent manner, based on objective criteria independent from the source of funding;
(ii) the estimated costs can be directly reconciled with the amounts recorded in the applicant's general accounts;
(iii) the categories of costs used for the purpose of determining the estimated costs are exclusive of any ineligible cost or costs covered elsewhere;
(iv) Any hourly, daily or half-daily rate is calculated using the number of annual productive units (respectively productive hours, days or half-days). For that purpose the applicant may apply the standard number of annual hours or days or half-days generally applied for its staff in accordance with its usual cost accounting practices. This number must be at least 90% of the standard annual workable hours or days or half-days.

The annual workable hours or days or half-days mean the period during which the staff must be working, at the applicant’s disposal and carrying out his/her activity or duties under the employment contract, applicable collective labour agreement or national working time legislation.

(b) **The value of other costs** (indirect costs\(^8\) and other direct costs such as rent, accommodation, meals, publicity, travel, and participants' allowances) may be calculated as a flat rate of 40% of the direct staff costs estimated according to point a). Application of this flat rate is justified by the purpose of the pilot JAP, the fact that the types of activities referred to in point 2.2. are similar to those financed under Regulation (EU) 1304/2013 and the fact that the mentioned flat rate has been considered to provide an adequate compensation for these type of operations under shared management. Therefore the flat rate of 40% authorised by Article 14(2) of Regulation No 1304/2013 can be reasonably applied as regards this action.

3.2 Establishing the total cost baseline value of the action

The total cost baseline value of the action will be established on the basis of the estimated budget taking into account:

(i) the methods of calculation provided for in points 3.1.

(ii) another method proposed by the applicant provided such a method ensures compliance with the principles of co-financing, no profit and no double financing, and is based on any of the means indicated in Article 124(2)(c)(i) or (ii) of Regulation (EU, Euratom) No 966/2012;

For the purposes of point (ii) applicants may use in order to calculate indirect costs flat rates authorised by Article 68(1) of Regulation (EU) No. 1303/2013 provided the conditions set out in that article are satisfied.

Indirect costs may only take the form of flat rates.

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\(^8\) Indirect costs are those which cannot be directly connected to an individual activity that is part of the project. These include administrative expenses for which it is difficult to determine precisely the amount attributable to a specific activity (such as management costs, recruitment expenses, costs for the accountant or cleaner, telephone, water or electricity, etc).

Indirect costs could also include categories such as staff costs, rent or publicity where these categories cannot be directly attributed to the project.
3.3 Defining unit costs or lump sums based on outputs/results

The total costs baseline value referred to in point 3.2 will serve as a basis for defining unit costs or lump sums which payment is triggered by outputs or results.

Example: the value of such unit costs may be obtained by dividing the total cost baseline value by the number of participants expected to successfully complete a training (output indicator) or engage in employment following a training and individual coaching (result indicator).

The Commission will assess the expected outputs and/or results and the resulting unit costs or lump sum.

4. Non-profit and co-financing principles and absence of double financing

The following elements limit the risk of profit:

- The application of a reimbursement rate of maximum 90% of the eligible costs;
- The activities covered by this decision are not expected to produce any income.
- The methodology and calculation methods to be applied as detailed above are complying with the principle of sound financial management is and therefore the unit costs and lump sums represent a reliable proxy of the actual costs incurred.

The co-financing principle is complied with by application of the reimbursement rate set out in the specific grant agreement (maximum 90%).

In order to avoid double-financing by the EU budget, the call will make clear that the projects funded cannot have been fully or partly co-financed by the European Social Fund, or any other EU funds and that ongoing actions are not eligible for funding under this call. Furthermore, the call will clarify that unit costs and lump sums may not include the same reference costs more than once in their calculation.